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FRIDAY MAY 29 1998

FT Weekend tomorrow
China's long march from the shadows – but to where?

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Trade unions refuse to toe the party line
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WORLD NEWS

Denmark looks to have backed the expansion of EU to the east

Exit polls indicated Denmark had ratified by a wide margin the Amsterdam treaty that paves the way for the European Union to expand to include states of the former eastern bloc.

Nato plans for Kosovo force
Nato foreign ministers reacted to the growing Kosovo crisis yesterday by telling their military planners to prepare for possible dispatch of alliance forces to neighbouring Albania and Macedonia, and perhaps even to Kosovo itself. **Page 2**

Habibie sees elections next year
Indonesia's President B J Habibie promised to overhaul electoral laws and summon the country's top decision-making body to approve changes before elections some time next year. **Page 8**

Crackdown on money laundering
Venezuela is planning new measures to crack down on drugs-related money laundering following the arrest of a number of Latin American bankers in the US. **Page 4**

Air France cancels flights
The threat of a pilots' strike has forced Air France to cut its scheduled flights in the week before the start of the World Cup soccer tournament. **Page 3**

EU hits back over barley subsidies
The European Union accused the US of pursuing "domestic political motives" by announcing it would subsidise barley exports in retaliation for an EU shipment to California. **Page 5**

China says Taiwan spies held
China said it had arrested four Taiwanese businessmen on charges of spying and that they confessed. **Page 6**

Berlusconi to stand trial
Silvio Berlusconi, Italian opposition leader and head of first division soccer team AC Milan, will stand trial over an allegedly irregular soccer transfer in 1992. **Politician under pressure, Page 2**

Canada upholds right of search
Canada's supreme court upheld the right of police to search private records of citizens abroad without first obtaining a search warrant in Canada.

Low score for Asian cars
The Mitsubishi Lancer, Korean-built Hyundai Accent and Japanese Suzuki Baleno each earned only one-and-a-half stars out of four in UK car crash tests. **Page 8**

Lewinsky has prints taken
Prosecutors collected fingerprints and handwriting samples from Monica Lewinsky, the woman at the centre of an alleged affair and cover-up involving President Bill Clinton.

US to finance Cambodian polls
The US will provide $2.3m finance for Cambodian elections, including support for 25 observers of the run-up to the July voting.

Guerrillas threaten disruption
Colombia's Revolutionary Armed Forces guerrillas said they would halt transport in an area they dominate to coincide with Sunday's presidential election. **Page 4**

Hubble locates distant planet
Astronomers using the Hubble space telescope say they have seen what may be a planet three times the size of Jupiter and about 450 light years – 2,646 trillion miles – from Earth.

BUSINESS NEWS

US commerce department revises growth rate to 4.8%

The US economy grew at a faster annual rate in the first quarter than originally thought. The commerce department increased its earlier estimate of 4.2 per cent growth to 4.8 per cent. Inventory growth accounted for about 30 per cent of the gain. **Page 4**

American Express, US financial services group, appointed James Cracchiolo as president of international operations as it intensified efforts to build alliances with banks and grasp opportunities arising from the Asian crisis. **Page 17**

Disney/ABC Cable Networks head Geraldine Laybourne is to leave her job to set up her own company. It will be backed by Walt Disney, which will have first call on her TV productions. **Page 17**

Mitsubishi Motors of Japan blamed its first annual net loss for 12 years on a poor domestic performance and difficulties in south-east Asia. The car maker made a group net loss of Y101.8bn ($739.8m) compared with a Y11.6bn profit the previous year. **Page 16; Japanese electronics, Page 15**

Allianz, Germany's biggest insurer, hopes for a New York share listing within about two years, after detailing more than DM100bn in "hidden reserves". **Page 15**

Cuba's growth target may be in doubt because the country faces the prospect of its second poor sugar harvest in three years. **Page 6**

Swatch watch maker SMH of Switzerland plans to launch the first wrist watch which doubles as a mobile phone. It aims to sell 1m a year at under SFr500 ($338) each. **Page 18**

AsVidesh Sanchar Nigam, India's international telephone company, raised pre-tax profits 60 per cent last year to Rs13.2bn ($319m), helped by a 21 per cent increase in traffic volume. **Page 16**

All Nippon Airways, Japan's second largest airline, is suspending its dividend for the first time in 30 years after reporting net losses of Y2.7bn ($19.6m) and predicting Y6bn losses this year. **Page 16**

Associated Cement Companies highlighted the severity of India's cement industry downturn when it posted an 83 per cent decline in annual pre-tax profits to Rs154m ($3.7m). **Page 16**

Hong Kong Stock Exchange is proposing to create a second board to enable smaller companies to tap public funds. It would be open to "emerging companies" with a minimum market capitalisation of HK$46.1m (US$6m) and would have looser entry requirements than for the main board. **Page 16**

Tata Iron and Steel, flagship of India's blue-chip Tata group, saw a 33 per cent fall in annual profits, blaming collapsing south-east Asian export markets. **Page 16**

Telekomunikasi Indonesia, telephone company, reported a first-quarter loss because of foreign exchange losses.

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
Page 35

Pakistan is defiant as it carries out nuclear tests

Response to Indian explosions brings international condemnation

By Our International Staff

Pakistan yesterday dramatically raised the stakes in the stand-off with its rival, India, by carrying out five nuclear tests.

The tests, a direct response to its neighbour's decision to explode five devices two weeks ago, drew immediate condemnation from the international community.

But Nawaz Sharif, Pakistan's prime minister, said the muted international response to India's action had left him little choice but to order the tests, Pakistan's first. "As a self-respecting nation we had no choice. The nation would not have expected anything less," he said.

India's Hindu nationalist-led government claimed Pakistan's tests were "expected" and had justified its own decision. Atal Behari Vajpayee, the Indian prime minister, said Pakistan's move "vindicates our nuclear policy". Bill Clinton, the US president, said he deplored the Pakistani decision and announced that the US would invoke sanctions against Pakistan as required by a 1994 law. "By failing to exercise restraint in responding to the Indian test, Pakistan lost a truly priceless opportunity to strengthen its own security, to improve its political standing in the eyes of the world," he said.

He said it was urgent India and Pakistan renounced further tests, signed the Comprehensive Test Ban Treaty and took "decisive steps to reduce tensions in south Asia and reverse the dangerous arms race".

China – which shares a border with India and is a traditional ally of Pakistan – refrained from condemning the tests but expressed "deep regret" and called upon all powers in south Asia to exercise restraint. Zhu Bangzao, the Chinese foreign ministry spokesman, said the growing tensions in south Asia had been created solely by India.

Seismographic data indicated an explosion with a yield of between two and 10 kilotons, well below the 43 kilotons claimed by India for the largest of its five tests. The tests – carried out in the Chagai Hills in western Pakistan, close to the border with Afghanistan – were almost certainly intended, like India's, to aid development of technology to miniaturise nuclear weapons so that they could be delivered on missile warheads. Pakistan said it now had the capability to place a nuclear warhead on its recently tested Ghauri missile. It claims the missile has a range of 1500km - long enough to strike far into India.

The threatened US sanctions, similar to those put in place against India, include vetoing new loans from the International Monetary Fund and World Bank. Pakistan borrows less from these institutions than does India - but their importance is greater to its struggling economy. Foreign aid accounts for about 6 per cent of central government spending, almost double the Indian ratio.

Unlike India, Pakistan is in the middle of an IMF programme under which it is borrowing $1.6bn over three years. The next loan disbursement was due to be discussed in late June. The World Bank has agreed $808m in loans in its current fiscal year ending in June, and was scheduled to borrow about $750m next year.

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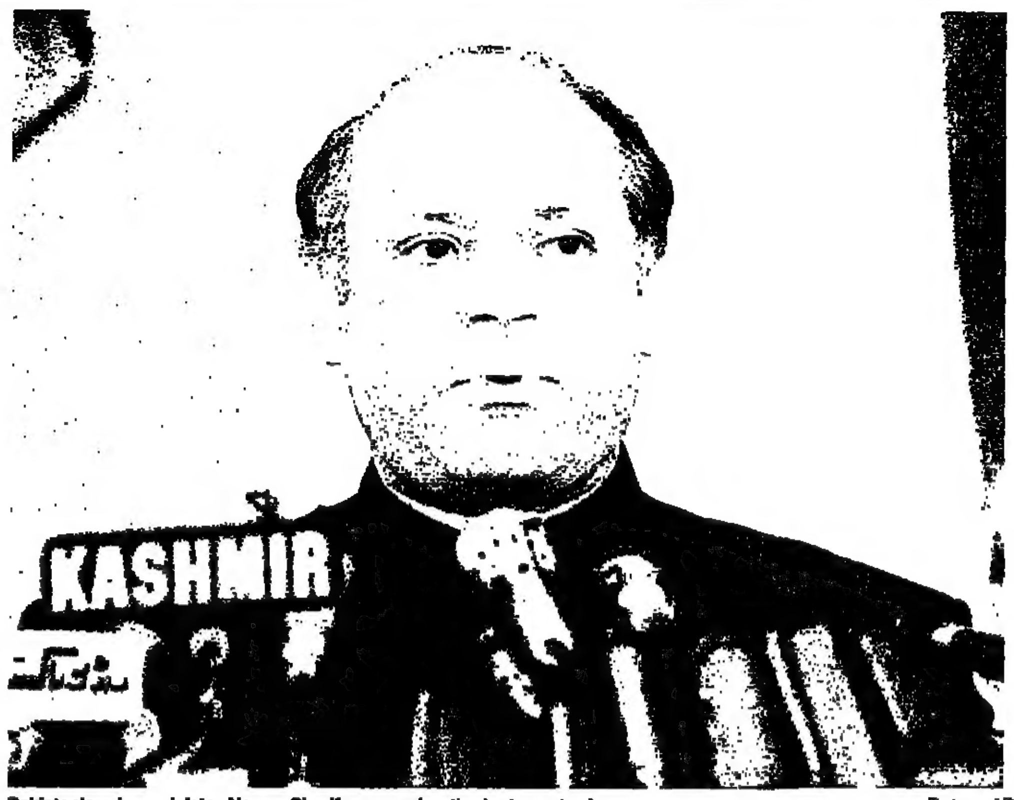

Pakistan's prime minister Nawaz Sharif announcing the tests yesterday Picture, AP

CRISIS EASES SHARES AND ROUBLE REGAIN GROUND AS YELTSIN PROMISES ECONOMY WILL NOT COLLAPSE

Russia says market 'psychosis' has ended

By Chrystia Freeland in Moscow

Russia's central bank said yesterday that the "psychosis" affecting the nation's financial markets had been halted, but it was too soon to declare the crisis completely over.

President Boris Yeltsin promised that Russia's economy would not collapse and said the central bank had enough reserves to weather the storm.

"Foreign investors should feel confident there will be no collapse of financial markets in Russia," he said. "The bank and finance ministry have enough reserves today to hold on."

He gave his assurances as markets relaxed slightly in response to the central bank's tripling of interest rates on Wednesday to 150 per cent. Shares clawed back half their losses from the previous day and the rouble gained a little against the dollar.

But even the central bank, which has been leading the fight to defend the rouble, admitted the battle was not over.

"It's probably too early to say we are already over the crisis in every sector," Sergei Aleksashenko, deputy governor of the central bank, said. "But the main thing is that the process has started to reverse and we have succeeded in halting the psychosis that unfolded yesterday and the day before."

He said the central bank was able to boost its reserves to $14.5bn yesterday by buying $500m on the currency market.

The International Monetary Fund, which Russia is hoping will decide today to release a $670m tranche of a three-year loan, endorsed the government's efforts but warned it was not planning to offer Moscow any emergency funding.

"The central bank of Russia does a good job in managing the currency and in reacting appropriately to the turbulences of the international market," Michel Camdessus, the IMF managing director, said in Kazakhstan.

He said the fund could soon release the next tranche of the $9.2bn loan Russia is currently receiving, but he rejected proposals to grant an additional stabilisation fund to Moscow.

"We have not started discussing anything of this kind and I have no reason to think that such a need exists," he said.

However, western investors said the government was discussing pulling together a stabilisation fund for the rouble, drawing on public and private creditors.

One source of revenue for the ailing public finances could be Rosneft, the largest Russian oil company still to be privatised. The government's effort to sell Rosneft this week failed, contributing to this week's financial crisis.

Sergei Kiriyenko, prime minister, last night fired Rosneft's top management, which has been divided by internal squabbles.

The government has promised easier terms for the sale by Monday. Potential bidders include a consortium involving Gazprom, Lukoil and Royal Dutch/Shell.

Chill winds from the east, Page 13
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MCI sells internet business to C&W

By Alan Cane

MCI, the US telecommunications group, yesterday boosted the shake-up in the fast-growing US internet transmission business by selling its internet backbone operations to Cable and Wireless, the UK's second largest telecommunications group.

The deal, valued at $625m, strengthens C&W's US operations and virtually guarantees that the planned $37bn merger between WorldCom and MCI will go ahead. Regulators in the US and Europe had warned they might veto the merger, the largest in telecoms history, because the strength of both companies in internet transmission would result in dominance and damage competition in the fast growing internet market. Some estimates suggested the companies combined would control more than 50 per cent of the networks over which internet traffic travels.

Yesterday both WorldCom/MCI and C&W were confident the sale of MCI's internet business would be enough to ensure regulatory approval for the merger. The deadline for the European Commission's decision is July 15.

The US long-distance operators AT&T and Sprint, and the local telephone company GTE, were barred from the bidding because of their existing strengths in the internet business.

C&W, a global operator, much of whose profitability is derived from its ownership of Hongkong Telecom, is comparatively unknown in the US. The price paid is reckoned to be good value for C&W by industry standards, a measure of the anxiety in the WorldCom and MCI camps to see the merger proceed swiftly.

Richard Brown, C&W chief executive, said yesterday the internet was vital to the company's growth.

Analysts applauded the move as an excellent strategic step which represented good value for C&W. However, the share price slipped 4p to 675p, probably because of the company's commitment to the troubled Asian markets. In early trading, WorldCom shares rose $[illegible] to $45¼, while MCI shares gained $1[illegible] to $53[illegible].

Big business logs on, Page 12
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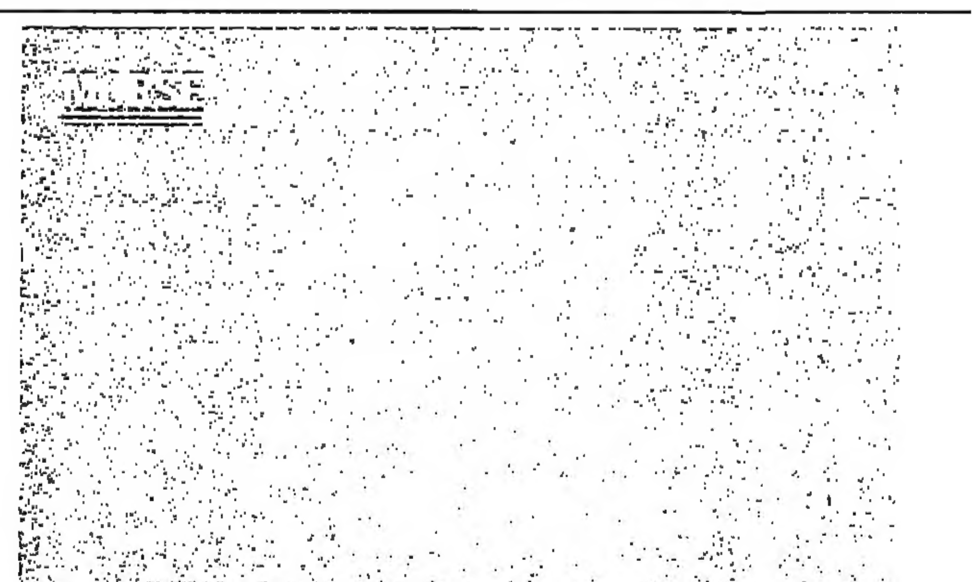
Pornography verdict

A court shocked the German multimedia industry by finding the former head of CompuServe in Germany guilty of aiding the dissemination of pornography on the internet. Felix Somm, 34, was given a two-year jail sentence, suspended for three years on payment of DM100,000 ($57,000). **Page 3**



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WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	8967.21	(+30.64)
NASDAQ Composite	1794.06	(+12.95)
Europe and Far East		
CAC40	4014.92	(-2.45)
DAX	5481.26	(-9.38)
FTSE 100	5862.3	(-7.9)
Nikkei	15796.55	(+132.26)
US Lunchtime RATES		
Federal Funds	5.56%	
3-mth Treas Bills: Yld	5.071%	
Long Bond	103⅝	
Yield	5.841%	
OTHER RATES		
UK: 3-mth Interbank	7⅞%	(same)
UK: 10 yr Gilt	110.6875	(110.742)
France: 10 yr OAT	104.29	(104.39)
Germany: 10 yr Bund	107.92	(107.96)
Japan: 10 yr JGB	111.93	(111.78)
NORTH SEA OIL (Argus)		
Brent Dated	$14.70	(14.765)

GOLD		
New York: Comex		
Jun	$292.7	(293.7)
London:		
	$294.15	(293.95)
EXCHANGE RATES		
Dollar		
New York: Lunchtime		
£	1.6275	
DM	1.7798	
FFr	5.968	
SFr	1.4755	
Y	138.7	
London:		
£	1.6293	(1.6311)
DM	1.778	(1.7816)
FFr	5.9605	(5.973)
SFr	1.4729	(1.4718)
Y	138.525	(137.605)
Tokyo Close		Y 137.05
Sterling		
DM	2.8969	(2.9059)

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Switzerland SFr3.00	[illegible]	

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WORLD NEWS

EUROPE

Russian contagion hits neighbours

By Our East Europe staff

Financial markets across central and east Europe, weakened by the contagion of the mounting crisis in Russia, gained some respite yesterday, but analysts warned that they remained vulnerable.

A member of Poland's Monetary Policy Board, Cezary Jozefiak, said that there was "absolutely no reason to panic or to make any sudden moves". But he said the Polish economy was vulnerable to "external shocks" and urged the government to monitor Russia's unfolding financial crisis.

The zloty, pegged to a number of foreign currencies, has been declining since last Friday, as foreign investors began selling government bonds to cover losses on the Russian market sparked by the rouble's steep drop. The zloty stabilised yesterday at 3.51 to the dollar after declining sharply to 3.44 on Wednesday.

"It is largely an issue of financial contagion," said Philip Poole, chief economist for European emerging markets at ING Barings. "The real economic links between east Europe and Russia are much less than before, but investor sentiment generally has been hit... We have seen stock markets falling across the region, bond yields edging up and currencies weakening."

In Hungary, where the stock market has plunged in recent weeks, and in the Czech Republic, where financial markets have also weakened, investors have been unnerved by local developments in addition to the events unfolding in Russia.

The Budapest stock market fell another 1.5 per cent in very heavy trading yesterday, leaving the main bourse index 11.5 per cent down since Sunday's general election, in which the Socialist government was defeated. Markets have reacted nervously to the prospects of a centre-right coalition government led by the Fidesz-Hungarian Civic party.

In the Czech Republic, where a general election is due in three weeks to try to resolve a prolonged political crisis, the stock market has been in the doldrums for months. The Russian impact has been felt in the currency and bond markets.

The Czech koruna fell by around 2.75 per cent on Wednesday to a low of about Kč18.80 to the D-Mark, leading the central bank to warn that it was ready to intervene. It recovered slightly yesterday to trade at around Kč18.60.

"Foreign investors have been riding on the interest rate differential and planning to get out before the election," said Jan Sykora, a director of brokers Wood & Co. "The situation in Russia has acted as a catalyst."

In Ukraine, the authorities increased interest rates for refinancing the banks yesterday to 56 per cent, the second rise in the past week. "There is the nervousness that if the rouble devalues, then all emerging markets will slide, but especially those close by," said Dan Lubash, managing director of emerging markets at Merrill Lynch.

Emi chief calls for budget caution

By Wolfgang Münchau in Frankfurt

Wim Duisenberg, the president-designate of the European Central Bank, called yesterday on the 11 countries participating in economic and monetary union to step up their efforts at consolidating public finances.

In a foreword to the 1997 annual report of the European Monetary Institute (Emi), the ECB's forerunner, Mr Duisenberg said Emu members needed to do more to reduce debt and to protect themselves against fluctuating interest rates and the ageing of the population.

"It is imperative that all member states should re-establish as soon as possible a degree of budgetary flexibility which will allow them to respond to adverse cyclical developments," he said.

Countries should ensure that their budgets were balanced over the medium term. "In some cases substantial and persistent overall fiscal surpluses will also be necessary."

The 11 participants in Emu were required to restrict their budget deficits to 3 per cent of gross domestic product. They will need to adhere to the same ceiling in the future.

Mr Duisenberg's comments are indicative of concerns among EU central bankers. He mentioned no countries by name, but the Emi has previously expressed concern about Belgium and Italy – countries with debt-to-GDP ratios of over 120 per cent, more than twice the target level.

The report noted that economic growth in the eurozone had been picking up last year without giving rise to significant inflationary pressures.

Mr Duisenberg said the ECB would keep a watchful eye over price developments, and would ensure that "the level of short-term interest rates is consistent with price stability in the euro area as a whole".

The ECB will be officially launched on Monday, but will not assume responsibility for setting interest rates until January.

The estimated rate of average real GDP growth in the European Union was 2.7 per cent last year, compared to 1.7 per cent in 1996. Most of the growth stemmed from domestic demand, thanks largely to improved investment growth and increases in stockbuilding.

The EU unemployment rate was 10.5 per cent in the fourth quarter of 1997, down only marginally from 10.8 per cent in the fourth quarter of 1996.

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Nato prepares for Kosovo explosion

By David Buchan in Luxembourg

Nato foreign ministers reacted to the growing Kosovo crisis yesterday by telling their military planners to prepare for possible dispatch of alliance forces to neighbouring Albania and Macedonia, and perhaps even to Kosovo itself.

But the 16 allies stressed that they still pinned their main hopes on a political settlement between President Slobodan Milosevic of Yugoslavia and moderate leaders of the ethnic Albanian majority in Kosovo, which is a province of Serbia, the largest of Yugoslavia's two republics.

The ministers' only military decision at this stage was to shore up Kosovo's neighbours by "waving the Nato flag" in Albania and Macedonia through military training, joint exercises and naval visits this summer.

Nato military authorities have in fact already drawn up preliminary plans to respond to Albania's request for a Nato force on its 140km border with Kosovo.

General Wesley Clark, Nato's top commander, told ministers that about 20,000-23,000 troops would be needed to deter Yugoslav and Serb forces from pursuing the rebel Kosovo Liberation Army (KLA) into Albania and to stop weapons flowing from Albania to the KLA in Kosovo.

Robin Cook, the UK foreign secretary, urged Nato to take a "hard-headed look" at options to ensure that "we do not promise more than we have the political will to deliver".

But ministers went a step further yesterday by stating that Nato should "consider the political, legal and, as necessary, military implications of possible further deterrent measures". These are understood to include the possibility of direct Nato intervention in the event that the conflict deteriorated into "massive violence", one alliance official said. Mr Cook said "no one is going to tolerate genocide".

The Nato official suggested that the alliance could step in against Belgrade's wishes only if authorised by a United Nations Security Council resolution under Article 42 of the UN charter. This provides for intervention in response to a threat to international peace and security.

Border tension: Albanian troops exercise with tanks as anxieties over Kosovo grow AP

Yevgeny Primakov, the Russian foreign minister, said after a meeting with his Nato counterparts that Moscow believed that any Nato deployment, even to Albania and Macedonia at their requests, would need UN Security Council approval. He declined to say how Russia would vote.

At the Nato meeting, ministers dwelt on military plans and options rather than economic sanctions on Belgrade. The separate Contact Group, composed of the US, the four biggest west European countries and Russia, has taken the lead on sanctions.

Madeleine Albright, US secretary of state, appeared keen to leave Mr Milosevic some incentives to co-operate, such as the Contact Group's decision two weeks ago to reward Belgrade for starting talks with moderate Kosovar Albanians by suspending an investment ban on Yugoslavia.

"We have to be vigilant to ensure President Milosevic does not pour more gasoline on the fire he has started," Mrs Albright said. "If violence continues and there is no progress in the dialogue, suspended sanctions can be reinstated quickly."

Worker unrest begins to weaken Milosevic support

An economy crippled by war and sanctions has left thousands of workers under-paid or unemployed. **Guy Dinmore** tests the mood in the Serbian industrial city of Kragujevac

Danica Milunovic stoically polishes her department store counter, ignoring the fact that the shop is empty of customers. For more than a year now her monthly wage from the Serbian state-owned store has amounted to no more than ND300 ($28), and a bus pass.

Earlier, employees at the shop emerged briefly to lend support to a noisy protest in the main square of Kragujevac, capital of 19th-century Serbia and until recently its industrial heartland. Several hundred workers of the Zastava arms factory were demonstrating in the square against non-payment of their wages.

Jeers and whistles erupted as one speaker mentioned the name of Slobodan Milosevic, the president of federal Yugoslavia, which is dominated by Serbia. A woman read out a poem condemning the country's leadership. "They are sick with amnesia, eat caviar and drink whisky. How long will it last? The devil's blood runs in their veins."

And then they all went back to work.

Labour discontent is rising in Serbia. The economy has been crippled by years of international sanctions imposed for Belgrade's role in the Bosnian civil war. Unemployment is more than 30 per cent and many workers are on forced leave with little or no pay. The average monthly wage – when it comes – is only ND1,050.

Veroljub Stevanovic, the opposition mayor of Kragujevac, fears that his city is heading for social conflict, or perhaps even civil war.

The pride of this central Serbian city used to be the Zastava car plant. In 1988 it produced 228,000 cars, mostly the "Yugo" which enjoyed a brief spell of success on western markets. So far this year only a few hundred have been made while the desperate search for a foreign partner, now focused on Peugeot, goes on. Of a total of 200,000 people in Kragujevac there are 18,000 registered unemployed and up to 30,000 on forced leave.

'We are trying to join the streams of discontent into one river to sweep away the leadership'

In recent months across Serbia teachers, health and transport workers and the Zastava arms manufacturers have held partial stoppages. But still there is no coherent nationwide labour movement that threatens to bring down Mr Milosevic's Serbian coalition of socialists and ultra-nationalists.

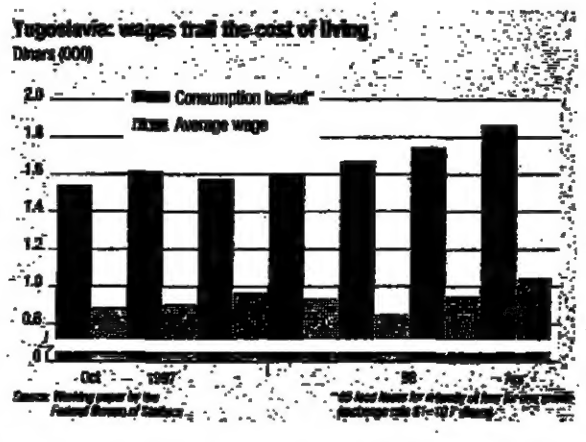
The crisis at the Zastava arms plant, the oldest factory in Serbia, illustrates the disarray in the labour movement. It also points to a weakening of the control of the Socialist party machine that took over from the communists in the late 1980s as former Yugoslavia began to disintegrate.

Zoran Nedeljkovic, the factory's trade union leader, admits that daily two-hour stoppages and a week-long partial hunger strike by some workers are unlikely to bring radical change.

An all-out strike would be against the law, he says, and most workers are not prepared to go that far, at least not yet. Only a few workers at the larger car and truck plant belonging to the same state-owned complex have shown any solidarity.

But the regime in Belgrade must be worried that the union leading the protest belongs to the government-backed Alliance of Trade Unions of Serbia (SSS), which normally toes the Socialist party line. "The Socialists want to control us but can't... Our trade union is trying to join the streams of discontent into one river that will sweep away the leadership that brought us to this crisis," Mr Nedeljkovic says.

The Nezavisnost (Independence) trade union federation is trying to harness that flow, is gradually undermining the stranglehold of the SSS. Darko Marinkovic, head of research at Nezavisnost, believes that one day the independent labour movement will change the system just as Lech Walesa's Solidarity trade union did in Poland.



But he admits the struggle is hard. "The trade union movement here is divided and we don't have enough power to change the system, to introduce private property instead of ruling party property as well as basic democratic values and a real multi-party system."

Mr Marinkovic says Nezavisnost activists are regularly harassed by the authorities and prevented from spreading their influence in enterprises like Zastava. Anti-labour legislation hinders the organisation of independent unions. "Milosevic understands well that the greatest danger to him is not the opposition parties but trade unions," Mr Marinkovic claims.

He says Mr Milosevic has used the wars in Croatia and Bosnia from 1991 to 1995, and now against ethnic Albanians in Serbia's Kosovo province, to stifle labour unrest with the powerful state-controlled propaganda machine. "You are branded a bad Serb if you complain," explains Mr Marinkovic.

The acrimonious collapse of the Zajedno (Together) opposition coalition after the 1996-97 winter of anti-government protests means that Nezavisnost is even more isolated.

The one politician who has capitalised on widespread disaffection among workers is Vojislav Seselj, the leader of the extreme nationalist Radical party, who almost won Serbia's presidential election last year and joined the Socialist-led coalition government in March. Mr Seselj's demagoguery and anti-western rhetoric finds a ready audience among many Serbs who see their nation as the collective victim of an international conspiracy.

But Nezavisnost, which has some 160,000 members across Serbia, attracted almost no-one with its call for a mass rally in Kragujevac this week. As one worker at the empty department store commented in despair: "We are small and insignificant. We are only workers."

Berlusconi 'risking political crisis'

By James Blitz in Rome

Silvio Berlusconi, the leader of the centre-right opposition, was under pressure last night to withdraw a threat to scupper Italy's marathon constitutional reform.

After his uncompromising attack on what he dubbed the "pseudo-reform" package under discussion in parliament, ministers said Mr Berlusconi would either have to compromise or risk being branded as the man who destabilised Italy just months before it adopted the European single currency.

His attack on the reforms has opened up the most uncertain period in Italian politics since the crisis which temporarily felled Romano Prodi's centre-left government last October. The opposition leader was due to hold a press conference last night at which ministers hoped he would show signs of compromise.

"The position he has taken on the constitution amounts to political suicide," said one minister. "Berlusconi has failed to understand that Italians will punish any leader who sows instability at this moment."

Now that Italy is set to adopt the euro in January, the new constitution is the most important project on the political agenda. It is a project for which Mr Berlusconi, who leads the Forza Italia movement, has shown cautious support in the past.

However, on Wednesday night he made an unqualified pledge to vote against proposed new powers for the president, saying they needed to be considerably enhanced. His position risks destroying the cross-party consensus on the constitution that is essential for the document's overall credibility.

Ministers suggested Mr Berlusconi was forcing a crisis to try to extract concessions on what is really his core concern – a watering down of the powers of prosecuting magistrates. Mr Berlusconi faces a number of corruption trials, with judgment on one of the most important due next month. His campaign against the magistrates is central to his claim that the allegations are unjust.

Over recent months, Mr Prodi has insisted that the failure of the constitutional reforms would not affect the workings of his government or its programme of economic reform.

But although speculation about a crisis is premature, a collapse of the constitutional talks could raise a risk of elections if Mr Berlusconi's move led to a breakdown in parliamentary proceedings.

● Mr Berlusconi was ordered yesterday to stand trial over an allegedly irregular soccer transfer in 1992, Reuters reports from Rome. Prosecutors in Milan brought the new case on charges of falsifying accounts to conceal illegal payments to secure Gianluigi Lentini from Torino six years ago.

"I can guarantee that there has been no false accounting," Mr Berlusconi told a news conference.

NEWS DIGEST

OLOF PALME ASSASSINATION

Swedish court rejects call for new murder trial

The Swedish supreme court yesterday turned down a motion to try again the man once convicted of gunning down the late prime minister, Olof Palme, on a Stockholm street.

Prosecutors had sought a new trial for Christer Pettersson, whose conviction in the 1986 killing was later overturned for lack of sufficient evidence.

Palme was shot dead on a Stockholm street as he and his wife walked home unguarded from a cinema. Prosecutors had based their demand for a retrial on new evidence they said they had collected, including new accounts from purported witnesses. But the high court said in its decision that the credibility of such evidence after 12 years was difficult to assess.

Interest in retrying Pettersson, who has a long criminal record, rose last year after the lawyer for a deceased convicted bomber said his client had left a testament identifying Pettersson as the shooter. The testament was reported to have said that the bomber and Pettersson had plotted to kill both Palme and King Carl Gustaf.

"The Palme investigation is not over," said Lars Nylen, Sweden's police chief, at a news conference after the court announced decision. "We have the obligation to keep on working with the case. We are happy to say that tips are continuing to flow to us." **AP, Stockholm**

STASI LINKS

Party leader fails to bar report

A leader of the former east German communists failed yesterday in a legal bid to bar parliamentary debate on his alleged secret police ties under communism.

Gregor Gysi, parliamentary leader of the Party of Democratic Socialism, had sought a court injunction to block publication of a report concluding that he had informed on dissidents and to forbid its discussion on the floor of the lower house.

Mr Gysi has denied that he informed the Stasi about dissidents under communism, including some whom he represented as a defence lawyer.

After debating the matter, parliament could decide to lift his immunity from prosecution if prosecutors decide there is enough evidence to open a criminal probe.

The Federal Constitutional Court, Germany's highest, rejected his injunction request yesterday. It said it would rule on the merits of his case by the end of July. **AP, Karlsruhe**

GREEK STRIKES

Workers vote for more action

Workers at Ionian Bank, which is due to be sold next month under Greece's fast-track privatisation scheme, voted yesterday to defy a court ruling and continue their 17-day strike.

Ionian's union called for the dismissal of the bank's governor, Haris Stamatopoulos, and for negotiations with the Socialist government on reversing the sale plan. A government spokesman rejected the proposal, saying: "All necessary legal measures will be taken to re-open the bank."

The court ruled the strike illegal because the union failed to ensure that Ionian's customers retained access to their accounts.

Some of Ionian's 160 branches opened yesterday to pay pensions, but transactions were carried out manually. The bank's computer system and automated teller machines were shut down by the strikers. **Kerin Hope, Athens**

SLOVAKIAN ELECTION

Yeltsin backs Meciar

Russia's President Boris Yeltsin expressed support yesterday for the visiting prime minister of Slovakia, Vladimir Meciar, saying he hoped Mr Meciar would win next September's general elections.

"We very much hope that you'll win the elections. Further contacts are to the good of both Slovakia and Russia," the Itar-Tass news agency quoted Mr Yeltsin as saying.

The Slovak parliament, which is dominated by Mr Meciar's Movement for a Democratic Slovakia, recently passed a controversial election law that critics say will leave room for manipulation.

Mr Meciar has been criticised in the west for his government's poor record on democracy, and Slovakia has been shut out of the list of immediate candidates for membership in Nato and the European Union.

"We in Russia are pleased that you are strictly pursuing the policy in Europe of providing your own security, friendship with Russia, contacts with Russia, pretty good economic indicators," Mr Yeltsin told Mr Meciar. **AP, Moscow**

ANKARA

Relations with Bonn renewed

Germany said yesterday that it had agreed to normalise relations with Turkey, bringing to an end months of tension between the two nations.

Klaus Kinkel, Germany's foreign minister, and his Turkish counterpart, Ismail Cem, said they had also agreed that Ankara would renew relations with the European Union.

Relations deteriorated after EU leaders agreed in December to open talks with 10 East European nations and Cyprus to bring them into the EU over the next decade. Turkey was excluded because of its poor human rights record, and disputes with Greece and Cyprus.

Ankara put relations with the EU on ice, boycotting ministerial meetings.

Mr Kinkel said the two countries had agreed to "leave behind these somewhat troubled waters."

Mr Cem said: "We are both determined to have the best of all relations in the future." **AP, Luxembourg**

LATVIAN ARMED FORCES

Chief sacked over SS assembly

Latvia's parliament has discharged the chief of the armed forces for disobeying a government directive and attending a gathering of second world war Latvian SS veterans.

Juris Dalbins was discharged on Wednesday night, with 42 lawmakers voting for his dismissal, 12 against and 3 abstentions. Mr Dalbins had relinquished his post in early April, after Latvia's top security body, the National Security Council, asked him to resign.

Mr Dalbins attended the SS veterans' gathering on March 16 in Riga in full military garb, disregarding a defence ministry directive which prohibited uniformed attendance at the rally.

The gathering drew condemnation from Moscow and from ethnic Russians living in Latvia. Latvia's government dissociated itself from the SS commemoration and called for international understanding of its "tragic history."

The Baltic state was annexed by the Soviet Union in 1940. It was then occupied by Nazi Germany in 1941, and thousands of Latvians were drafted into SS units to fight against the Soviet army, which eventually re-entered Latvia in 1944. Latvia regained its independence in 1991. **Matej Vipotnik**

Internet trial finds former CompuServe chief guilty

By Peter Norman in Bonn

A Munich court sent shockwaves through the German multimedia industry yesterday by finding the former head of CompuServe in Germany guilty of aiding the dissemination of pornography on the internet.

Despite pleas from the public prosecutor and the defence for an acquittal, Felix Somm, 34, former managing director of CompuServe Deutschland, was unexpectedly given a two-year jail sentence, suspended for three years on payment of DM100,000 ($57,000).

Announcing the verdict in the closely watched test case just 10 minutes after the defence ended its plea, Judge Wilhelm Hubbert rejected arguments advanced by several expert witnesses that an online service provider, such as CompuServe Deutschland, could not effectively prevent pornographic material from being placed on the internet.

Mr Somm's lawyers also argued that the case contradicted Germany's 1997 multimedia law, which ruled that online service providers could not be held responsible for the material to which they provided access.

Finding Mr Somm guilty of being an accessory to the dissemination of pornography involving children and animals in certain newsgroups, Judge Hubbert declared: "There can be nowhere outside the law on the internet."

A furious Mr Somm had to be restrained by his lawyers as the judge left the chamber. The judgment was condemned as a "scandal" by Wolfgang Dingfelder, one of his lawyers, who said the defence would appeal. The judge had "shown no trace of expert knowledge" during the trial, he said.

Frank Koch, a Munich lawyer specialising in online and internet law, doubted whether the judgment would stand. It was very unusual for a judge to find a defendant guilty when both defence and prosecution had called for acquittal, he said.

Mr Dingfelder predicted "serious economic repercussions" from the ruling. Jörg Tauss, a Social Democratic member of parliament, said the judgment was a "catastrophe for Germany as a media centre". Ulrich Sieber, an expert witness for the defence, predicted that online companies might relocate outside Germany.

The judge said there were "false ideas about the internet in the heads of all participants" in the trial. He accused Mr Somm of "cheek" for claiming he did not know about the illegal material. He rejected the argument that Mr Somm's scope for action was restricted by the CompuServe parent company in the US, observing border guards in communist east Germany had used similar arguments to justify shooting refugees coming to the west.

Danish poll shows support for Amsterdam treaty

By Hilary Barnes in Copenhagen

Denmark's electorate endorsed the European Union's Amsterdam treaty by a comfortable margin in yesterday's referendum, according to an exit poll published as polling stations closed last night.

There was a majority of 56.9 per cent in favour to 43.1 per cent against, according to the Danish Broadcasting Corporation's exit poll by the Gallup Institute.

This conforms with pre-referendum opinion surveys. Broadcasters said the majority looked unassailable, even if the final figures turned out to be slightly different.

The treaty prepares the way for former eastern bloc countries to join the European Union.

The referendum was Denmark's fourth on an EU issue in 12 years.

Voters in Fredericia, eastern Denmark, line up to make their decision on the Amsterdam treaty AP

The treaty cannot be implemented until ratified by all 15 member states of the EU, but only in Denmark, notorious for the strength of scepticism about the EU, has there ever been any doubt about ratification.

The Danes shook the EU badly by voting down the Maastricht treaty in 1992, although they reversed the verdict a year later.

Most opinion surveys ahead of the referendum indicated that the treaty had the support of a majority of the voters, although Eurosceptics had dominated campaign meetings and debates.

The public's attention was captured by plans to open the EU's internal borders further and give police the right to cross into another member country if in hot pursuit of criminals. Some voters were worried that open borders would result in an influx of refugees and crooks.

The strength of eurosceptic opinion during the campaign appeared to have impressed Poul Nyrup Rasmussen, the prime minister, who attacked bureaucrats at the European Commission, the EU's Brussels-based executive, in a lengthy interview published yesterday in the Copenhagen newspaper Weekendavisen.

"Politicians have a sound respect for the voters, something which one does not always feel is possessed by the system in Brussels," he said.

"Some senior officials of the European Commission should get out of their bathtubs and meet the ordinary Danes."

Mr Nyrup Rasmussen predicted that the process of European integration would slow down. He did not therefore foresee new EU treaties requiring further referendums in Denmark. "I do not see big decisive new issues in the EU requiring new treaties," he said. "It would not hurt if there was greater humility in Brussels towards the voters."

He dismissed proposals for further integration that have been aired in some other EU countries. He said: "There will always be elderly gentlemen who dream of great projects, but do not necessarily have the support of the people."

Pipeline row sparked unrest, says Georgia

By Selina Williams in Tbilisi

Georgia's narrow escape from a flare-up of the conflict that tore it apart five years ago has revived fears that reactionary forces in Russia want to destabilise the region to prevent the Georgians from winning a large pipeline contract.

Russia is competing for an oil pipeline to carry 800,000 barrels per day of crude from Central Asia to western Europe.

Lingering suspicions re-emerged this week that Russia is trying to discredit the viability of the Georgian route, which would terminate less than 40km from the separatist province of Abkhazia – the scene of six days of heavy fighting.

"The pipeline irritates forces in Russia, and we think that has triggered all kinds of activities against Georgia," said Peter Mamradze, chief of staff to the Georgian president, Eduard Shevardnadze.

He was referring to the conviction, widely held in Georgia, that the pipeline is at the bottom of all of the country's troubles this year.

Mr Shevardnadze did not mince words after an assassination attempt on him last February. He immediately accused forces in Russia of organising the attack in order to destabilise the region and ensure that they would win the pipeline.

Azerbaijan, Turkey and the US have backed the proposed Georgian route as an alternative to one that would go through Russia to the north.

The Russian route might traverse Chechnya and would certainly pass through unpredictable Dagestan, where armed gunmen took over a government building last week. The route for the pipeline is expected to be announced later this year.

Relations between Russia and Georgia are always sensitive, especially concerning Abkhazia, where about 1,500 Russian troops assigned by the Commonwealth of Independent States patrol the area to keep the peace.

'Pipeline is at the bottom of all of the country's troubles'

Many Georgians are uneasy about their presence in Abkhazia because Russian military equipment and support were critical in helping the Abkhaz rout Georgian troops from the republic in 1993.

Georgian leaders accused Russian peacekeepers on Tuesday of doing nothing to protect ethnic Georgians during last week's clashes in Abkhazia. Rumours began to fly that the Abkhaz militia, which razed houses and farmland and drove out Georgian villagers, were being helped by Russian forces.

"The Russian troops in Abkhazia are very problematic," said Ghia Nodia, a political analyst in Tbilisi. "No one knows for sure what they will do if a war breaks out again in Abkhazia."

The clashes in the Georgian province of Abkhazia, where a war raged from 1992 to 1993, between local partisans and Abkhaz separatists were temporarily halted after both sides agreed to a ceasefire. But now Georgia has additional problems. A large influx of at least 30,000 refugees into western Georgia's region of Mingrelia has stretched the resources of an already poor area.

Analysts are concerned about growing discontent among the refugees, who cannot return to Abkhazia. They argue that their frustration could be exploited to consolidate opposition to Mr Shevardnadze, who has already come under criticism for his decision not to send in troops to back partisan Georgian fighters.

"There's already a problem between western Georgia and Tbilisi, and this will only be aggravated," said Georgy Khutsishvili, who heads the Institute of Conflict and Negotiations. "It will be very easy to manipulate the refugees, and unless the situation is reversed Shevardnadze will lose lots of support."

Strike plan forces Air France to cut flights

By David Owen in Paris

The threat of a strike by Air France pilots has forced the French national carrier to make drastic cuts to its scheduled flight programme between June 1 and 4 – just a week before the start of the World Cup soccer tournament.

The company indicated yesterday that if the threatened strike went ahead, it would be forced to cancel 90 per cent of long-haul flights in this four-day period.

Medium- and short-haul flights would also be seriously affected, with 75 per cent of scheduled departures from one main Paris airport, Charles de Gaulle, cancelled and 83 per cent of those from the other, Orly, similarly hit.

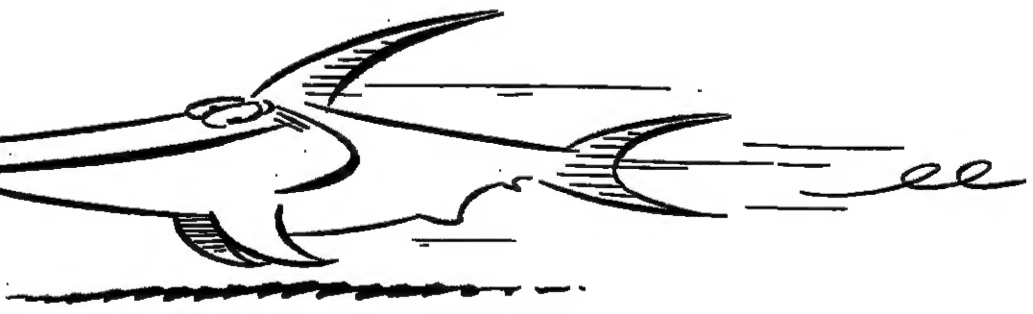
The cuts were disclosed after the SNPL trade union, representing about 60 per cent of Air France pilots, gave formal notice this week of a two-week strike to start on June 1.

This is in protest at proposals by the company to cut its annual pilots' salary bill by FFr500m ($84m). Pilots have been offered shares in the group, which is due to be part-privatised later this year, in exchange for agreeing to such measures.

Negotiations between pilots and company representatives got under way yesterday evening, but the company appeared to hold out little prospect of a swift resolution. Pilots, who claim to have lost at least 30 per cent of their purchasing power over 15 years, resent being asked to make new sacrifices when the group has just announced a return to the black after several years of net losses.

But the company argues that a reduction in its salary costs is necessary to improve its competitiveness.

In a strongly worded article in yesterday's Le Monde newspaper, Jean-Cyril Spinetta, the company chairman, warned that the group faced a "slow death" if it did not resolve its competitiveness problems.



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US economic growth rate revised up to 4.8%

By Nancy Dunne in Washington

The US economy grew at a faster annual rate in the first quarter than originally thought, the Commerce Department announced yesterday. It revised its earlier estimate of 4.2 per cent growth up to 4.8 per cent.

However, most economists warned that strong growth of inventories and imports contained in the gross domestic product report signalled that the economic expansion would soon slow. Inventory growth accounted for about 30 per cent of the gain.

"Inventory accumulation was the engine driving much of the growth in the last two quarters," said Charles McMillion of the Washington-based MBG Information Services. "We will be buying down the inventory in the second quarter and the rest of the year."

In its economic data bulletin, Morgan Stanley Dean Witter said inventory building posed "some downside risk" to its official estimate of 3 per cent GDP growth in the second quarter, although its analysts still expect growth in the 3.5 to 4 per cent range.

Strong demand for durable goods continued last month, the department said in a separate report. The value of total orders for items, such as new cars and appliances, climbed by 2.6 per cent from March to a seasonally adjusted monthly figure of $191.16bn. Orders for transportation equipment – accounting for nearly one-quarter of the monthly orders – climbed 9.2 per cent to $45.96bn.

Aircraft orders soared more than 40 per cent in April, but impressive gains were also recorded in primary metals and electronic equipment. Motor vehicles and industrial machinery – a large part of the non-defence capital goods orders – declined.

Manufacturers are clearly feeling the effects of the Asian financial crisis. Imports during the quarter increased at a rate of 17.7 per cent over the previous quarter, quickening the pace of rises last year. At the same time, exports dropped 3 per cent in the first quarter, in contrast to a 8.3 per cent fall in the fourth.

After tax, corporate profits in the first three months fell for the second straight quarter, off 2.2 per cent from the previous quarter. "The weak pricing environment is impacting profits growth," said Deutsche Morgan Grenfell in its EcoFax report.

But real personal consumption spending on goods and services rose 6.1 per cent in the first quarter compared with an increase of 2.5 per cent in the fourth: it was the strongest quarter since 1992.

Inflation was largely absent from the economy in the first quarter. President Bill Clinton yesterday made clear that the inflation threat was negligible. In pushing for new protection for patients at health management organisations, he said he did not care if the move produced "a smidgen more inflation – bring it on!"

Antitrust action nearer for Intel

By Richard Wolffe in Washington and Louise Kehoe in San Francisco

The US Federal Trade Commission is expected to consider launching legal action against Intel next month, after a wide-ranging antitrust investigation into the world's largest chipmaker.

Investigators are understood to have drawn up an antitrust case accusing Intel of abusing its monopoly position by withholding vital technical information in patent disputes with computer makers.

The possibility of legal action comes a week after antitrust investigators at the Justice Department launched a landmark lawsuit against Microsoft, the world's largest software company.

The FTC shares responsibility for enforcing antitrust laws with the Justice Department. Both sets of officials have become increasingly vigorous in bringing antitrust cases to court over the last three years.

Together Intel and Microsoft have developed much of the core technology for the personal computer industry. Intel provides an estimated 90 per cent of the microprocessors used in PCs, while Microsoft is the dominant supplier of PC software.

If the FTC's five commissioners authorise a lawsuit, it would represent a narrow part of the wider investigation into Intel's business practices. Like Microsoft, Intel is accused of exclusionary conduct to maintain its dominant market share.

FTC staff could pass on their case to the five-member commission as early as today, with a vote expected to follow after discussions with Intel.

The case centres on allegations that Intel attempted to abuse its monopoly power against Digital Equipment and Intergraph, after the two companies filed patent lawsuits against Intel last year.

Specifically, the chipmaker is accused of withholding advanced product information and samples of new microprocessors from the two computer companies. Intel typically shares such information and samples with its biggest customers, enabling computer makers to design new systems in advance of the wide availability of new chips.

Intel does not dispute that it refused advanced information to both Digital Equipment and Intergraph during intellectual property disputes with each of the companies. However, the chipmaker maintains it had the right to do so.

Intel said it was co-operating fully with the FTC and was confident it would be vindicated. The company noted that the commission had recently reviewed two separate acquisitions by Intel and found no violations of antitrust laws.

Intel's share price was off $1¼ in mid-session yesterday, trading at $74¼. Microsoft was trading at 85\frac{11}{16}$, off $⅛.

Ecuador's voters crave a return to stability

Prospects for greater political order and faster economic reform depend on majority backing in Congress for the man who eventually emerges as president, writes **Justine Newsome**

Ecuadoreans are hoping to re-establish political order on Sunday in the first round of presidential elections.

The last elected president, Abdalá Bucaram, was removed by Congress after national protests in February 1997. Since then an interim president appointed by Congress, Fabián Alarcón, has been in power and a national assembly has been busy rewriting the constitution to change the balance of power between the executive and the legislature.

Politically ungovernable to many observers, Ecuador is also in poor physical condition due to the El Niño weather effect, which has destroyed many roads and left thousands homeless in coastal areas.

The army has helped re-register voters displaced by flooding but El Niño's victims have been fertile recruiting ground for one presidential candidate, Alvaro Noboa. With handouts of food, promises of houses and medical wagons manned by his doctor wife, Anabella Azin, the support for the 47-year-old multimillionaire businessman from Guayaquil has risen from 10.3 per cent in March to 25-28 per cent last weekend.

Mr Noboa has been closing the gap on his main rival, Jamil Mahuad, the 49-year-old mayor of the capital Quito, whose support has declined from 42 per cent to 35-38 per cent. The two are most likely to compete in a July 12 run-off between the highest-scoring first-round candidates.

Mr Mahuad is a qualified lawyer and professional politician who points to a successful career in public administration. In recent days Mr Noboa has been saying that Mr Mahuad is linked to the drug trade, an accusation quickly denied but one which could, nonetheless, influence voters on Sunday.

"He knows what to do and he knows how to do it," is his campaign slogan.

Of the other candidates, former president Rodrigo Borja of the Democratic Left (ID) party is in third place, followed by Freddy Ehlers, a populist television journalist.

"Noboa in government means Bucaram in power," predicts Alberto Acosta, a consultant at the Ildis social studies centre, echoing the concerns of many. Mr Bucaram is in exile in Argentina and is banned from running. But his Ecuadorean Roldosist party (PRE) is backing Mr Noboa, who was president of the monetary board in the Bucaram government.

Rivalry between the country's coastal and highland regions is strong and Mr Noboa is the only coastal candidate. Ecuador's biggest party, the Social Christian party (PSC), is not fielding a presidential candidate and PSC voters in many coastal provinces are backing Mr Noboa.

Mr Mahuad is the candidate of the centre-right Popular Democracy party (DP). His programme focuses on reconstruction of the coast and war against poverty, through health, education and employment programmes.

"We need a strong and efficient, but not necessarily big, state which regulates. But most of the execution of projects is done by the private sector," he says.

There is uncertainty about the coherence of Mr Noboa's policies. Campaign offers on specific issues range from a subsidised housing plan to private investment in long-delayed projects such as expansion of Ecuador's cross-country oil pipeline, construction of another for heavy crude, and road building and maintenance.

But whoever wins, the prospects for greater political stability and faster economic reform depend on majority backing for the new president in Congress.

Congressional elections will also take place on Sunday and the market-oriented PSC could win a third of the seats, with Mr Mahuad's DP likely to be the second largest bloc. Analysts agree it could be difficult for Mr Noboa to build a majority.

"A coalition between the PSC and DP is possible, but Congress will be dispersed into at least five blocs," says Walter Spurrier, editor of Weekly Analysis.

Colombian rebel groups planning election protest

Colombia's leftwing guerrilla groups are to call an armed protest in a number of regions in preparation for the country's presidential elections this Sunday, writes **Adam Thomson in Bogotá.**

On Wednesday, members of the Revolutionary Armed Forces of Colombia (Farc) (right) – the country's largest guerrilla movement – announced their decision to stop all transport in the southern department of Putumayo, one of the areas with the greatest guerrilla presence.

"When the guerrillas say there is a strike... transport companies do not risk sending out any of their vehicles on to the roads," the department's governor, Jorge Devia, told the local press.

The guerrillas are thought to be increasing their activities before the election to gain increased negotiating power in any prospective peace talks.

In the Huila region, 50 guerrillas briefly occupied a town, destroying the town hall and police barracks. Just days ago, the Farc commander, Manuel "Sure-shot" Marulanda, told authorities his movement was willing to hold peace talks with the incoming government.

Venezuela to crack down on drug cash

By Richard Lapper and Raymond Colitt in Caracas

Venezuela is planning new measures to crack down on drugs-related money laundering following the arrest last week of a number of Latin American bankers, including three Venezuelans, in the US.

Venezuela's parliament is set soon to approve legislation that would make it easier for authorities to investigate money laundering, said Carlos Tablante, the country's anti-narcotics minister.

A new law on organised crime would allow prosecutors to indict those suspected of money laundering without proving their possession of drugs or their involvement in trafficking. Suspects would have to prove their innocence.

Venezuela has increasingly been used by narcotraffickers, especially from Colombia, as a gateway through the Caribbean to the US and Europe. Up to 200 tonnes of cocaine are believed to pass through the country every year.

Money laundering could amount to $2.5bn a year, compared with total bank deposits of $16bn.

Mr Tablante said he hoped to establish a specialist anti-narcotics police force. He suggested the new body could be financed with assets seized from drug traffickers.

Separately, Venezuelan securities regulators have approved tougher regulations which require greater disclosure by investors on the stock market and prohibit cash transactions there of more than $10,000. Similar rules already apply in the banking sector.

Mr Tablante also insisted the government was making progress in its own anti-drugs campaign.

Last year police confiscated 37 tonnes of cocaine, up from five tonnes in 1996. He cited two important drug busts involving Italian and Spanish criminal organisations. In addition, several people – including a judge accused of accepting drug money – have been imprisoned for money laundering offences.

He is also to call for the establishment of an international anti-narcotics tribunal at next month's United Nations conference on drugs. The tribunal would provide a legal structure for drug cases similar to that of the war crimes tribunal in The Hague, said Mr Tablante. Judges there would not be subject to the threats they often face from drug lords in their home countries, he suggested.

He also proposed the creation of an international anti-drug police force along the lines of Interpol. Still vexed by the US's surprise operation, he said increased international co-operation would "avoid foreign intervention in a country without notifying its government".

Industrialised nations should increase efforts to control the export of chemicals used in the manufacture of illegal drugs, he added.

US football league faces rival

By John Authers in New York

NBC, the television network owned by General Electric, and Time Warner's Turner Broadcasting are planning a new US professional football league to rival the dominant National Football League.

The announcement that the two companies had a "clear vision of a working model" for a new league was made during the national basketball play-offs, being televised by NBC. It could signal that the NFL has finally forced the price for its television rights too high.

Both NBC and Turner had televised NFL games for several years, but lost rights for the next eight seasons in the auction held by the league earlier this year.

Richard Ebersol, NBC's chief negotiator, said the other networks had paid too much, and that advertisers would balk at paying the rates which would be necessary to make the broadcasts profitable.

NBC said yesterday: "We did not want to put our company in a position of monumental losses, which would have been the case. And at the time we pointed out that the deal left out the most successful company in the world, and the most successful entertainment company in the world. That opens a lot of options."

The four winning networks – CBS, News Corporation's Fox, and Disney's ABC and ESPN – spent a total of $17.6bn for the rights, and will need to pass some of this on to advertisers.

Advertisers complained at the time that rates for space during football, which is now comfortably the most popular sport in the US, were becoming prohibitively high. A new league, offering lower advertising rates, might tempt them away.

However, there are doubts over whether it could attract enough players of sufficient quality, given the high salaries now on offer in the NFL. It might also find it difficult to attract crowds, as the NFL now has franchises in 30 cities, most of which are popular.

The new league would not be able to start playing until next year at the earliest, and would start with no more than 12 teams.

The last serious attempt to launch a rival to the NFL came in 1982, when the US Football League was created with the backing of the ABC network and the ESPN sports cable channel. It folded four years later, despite successfully bidding for several players who became stars of Super Bowl winning teams in the NFL, such as Steve Young of the San Francisco 49ers and Reggie White of the Green Bay Packers.

US sting puts cartels through the wringer

Christopher Parkes on events leading up to the indictment of more than 100 people on drug money laundering charges

The banking career of José Angel Ponce came to a crossroads one day last summer when he visited California to meet a man in Santa Fe Springs. That was when the junior account executive from Banpais in Tijuana allegedly turned off the straight and narrow on to a path which was to lead him into a trap laid by US agents.

Mr Ponce was one of the smaller fry among more than 100 people indicted last week at the culmination of Casablanca, a US government sting operation described by Robert Rubin, Treasury secretary, as "the largest drug money laundering case in US history".

A man with plenty of ambition and friends of a similar get-ahead bent, Mr Ponce is alleged to have embraced the opportunity offered him last July by his big-fish companion, Victor Navarro, and Javier Ramirez, owner of Emerald Empire, a busy little company in Santa Fe Springs, and the man he had come to meet.

Mr Ramirez, also known as CW-1 by virtue of his role as a co-operating witness and lure in the Customs Service sting, found Mr Ponce an enthusiastic laundry hand.

According to the indictments it took him less than a week to open an account at Banpais in a fictitious name, Comercializadora Euroexpo, and a week later he was on the telephone to another US agent telling him there was no time like the present to start washing "large amounts".

Days later he was on the phone again saying "business was too slow and that he wanted more". He had opened another account, and seemed already to be planning a new career on the strength of the 1 per cent commission he was paid for processing drug cash into untraceable bank drafts.

"He knew people at other branches willing to launder money, but... he wanted to be co-ordinator of all accounts," the indictment says.

In the following months Mr Ponce is said to have referred five Tijuana banking associates to CW-1, including a manager from Banamex, a branch director from Banco Santander Mexicano, and a manager at Banca Serfin.

All are said to have joined willingly into a conspiracy which, documents from the Los Angeles District Court allege, sprawled across the world, including Milan, Mexico, Costa Rica, Colombia, Venezuela and, perhaps inevitably, Las Vegas, where a clutch of bank officials was arrested earlier this month.

Days later he was on the phone saying 'business was too slow'

At the same time federal agents picked up 16 members of the infamous narcotics-trafficking cartels of Cali in Colombia and Juárez in Mexico.

The list of indicted Mexicans includes bagmen, couriers and launderers; and, as the indictments suggest, an altogether tougher, more sophisticated bunch than the Tijuana bankers.

These are the men, the documents say, who shipped the cash proceeds from the Chicago drugs market by the tractor-trailerload to a warehouse in Los Angeles.

Once there it was sorted, counted and sent to the laundry by diligent warehouse operators, named in the indictments as UC and CI, as is usual for undercover agents and confidential informants.

The cover was so complete and the cartel heads were so pleased with the warehouse service that by early last year they were ready to hold career discussions with CI and his colleagues, who were considered suitable material for the bagman's job of cash collection and a more direct role in the laundry process.

In May last year, drug lord Amado Carrillo-Fuentes, who was to die in July while undergoing cosmetic surgery to obscure his identity, allegedly called CI with promotion in mind and said "he looked forward to continuing to work with him".

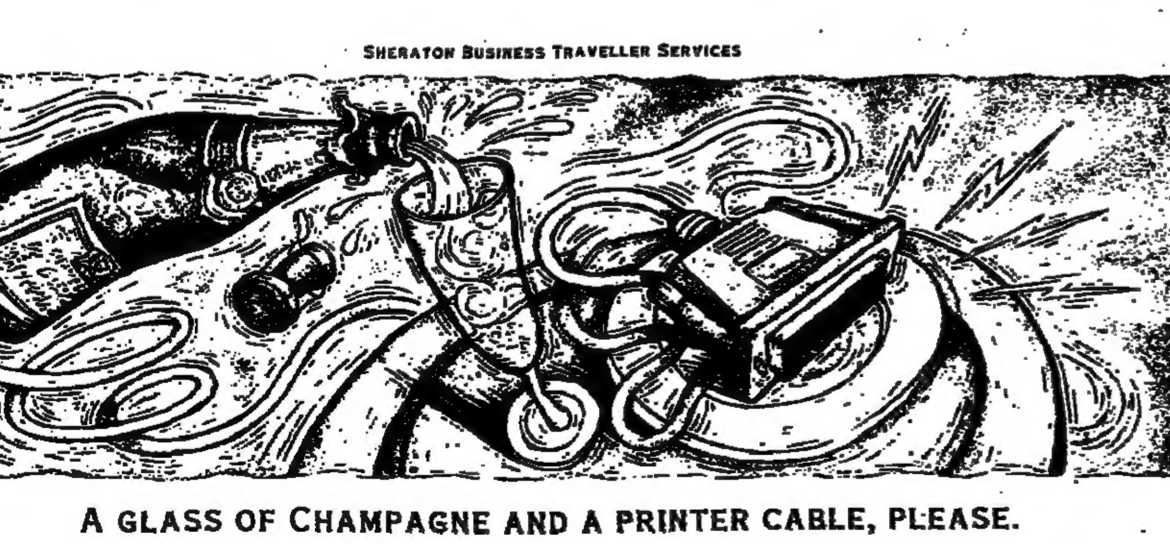
Dotted with details seemingly picked from a gangland film script (with none of the drama), the indictments present odd glimpses of the inner workings of the Juárez cartel. It allegedly ships drugs – up to 100 tonnes at a time – in "numerous aircraft", runs a communications centre to monitor cellular telephones, teaches its members to converse in code, and equips them to the hilt.

The inventory of one alleged member based in Roselle, Illinois, included "10 cellphones, nine pagers, three semi-automatic pistols, three money-counting machines, a kilogram press [for compacting drugs], false identification documents and money laundering ledgers," all alleged to have been found in a secret vault in his home.

True to underworld style, tough-guy *noms de guerre* proliferate: the indictments list Chicle, Tomate, Chuy, Gordo and El Primo. There, too, is Victor Navarro, the man who took José Angel Ponce to Santa Fe Springs.

Also named is Roberto Orozco-Fernández, alleged hitman for Amado Carrillo-Fuentes himself, who was dying under the cosmetic surgeon's knife at about the time Mr Ponce's career took a turn for the worse.

SHERATON BUSINESS TRAVELLER SERVICES



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Eurofighter missile bids start in UK

By Alexander Nicoll, Defence Correspondent

According to test pilots, Eurofighter is a capable aircraft. But agility and supersonic speed will count for little unless it has weapons which give it air superiority – that is, consistent ability to shoot other aircraft out of the sky. Much more than the lethality of Eurofighter is at stake, however, in the contest to supply its missiles, which got under way yesterday with the submission of bids to the UK Ministry of Defence.

On one side is a European design for an entirely new missile. On the other is a variant of an American missile already in the armoury of the US, UK and many other countries.

The European offering, called Meteor, is led by Matra BAe Dynamics, a joint venture between Lagardère of France and British Aerospace. In the team are GEC-Marconi of the UK, Alenia of Italy, LFK, the missiles unit of Daimler-Benz Aerospace, Casa of Spain and Saab of Sweden.

The competition comes from Raytheon, the leading US missile maker following the acquisition of Hughes last year. It is bidding a version of its Advanced Medium-Range Air-to-Air missile (Amraam), powered by a new engine developed by Aerospatiale of France.

Also in the Raytheon team are Shorts, the Belfast company owned by Bombardier of Canada, Thomson-Thorn Missile Electronics of France, Diehl of Germany, Fokker Special Products of the Netherlands, and Atlantic Research of the US. Raytheon says 80 per cent of the content would be European.

Britain's choice, expected next year and likely to be followed by similar decisions in Germany, Italy and Spain – the other three countries buying Eurofighter – epitomises the difficult decisions facing Europe.

The governments have made plain their desire to see a strong, consolidated European arms industry which will eliminate surplus capacity and have the clout to compete against big US contractors. But when it comes to making purchases of urgently needed equipment, defence ministries often have to decide between development of new European technology and US products already in service.

Peter Richardson, programme director for Matra BAe, said: "Big key contracts like this come up only rarely. Winning them is vital for retaining critical mass in the European defence industry."

The contest is to supply Beyond Visual Range Air-to-Air Missiles (Bvraam), which would have much greater range, speed and agility than present medium-range weapons.

Eurofighter is designed to take Amraam, but needs a more powerful weapon because of improvements in Russian missiles. While Russia may not be viewed as a threat, it still sells arms to many countries which are.

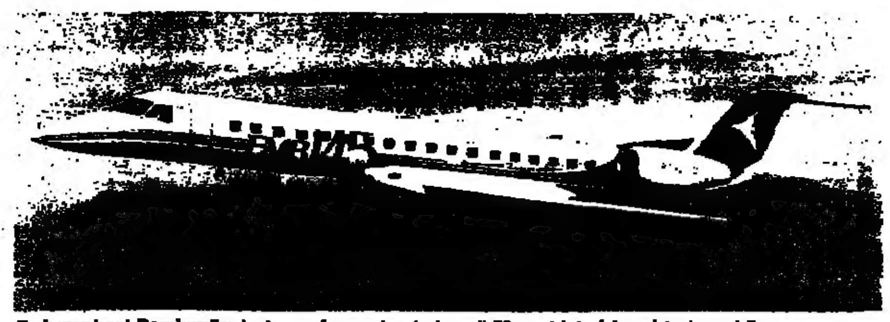
The US has not produced a high-capability Bvraam because it has spent billions of dollars developing stealthy aircraft such as the next generation F-22 Raptor. Eurofighter has less stealth and therefore needs a better missile. Bvraam will get its enhanced capability from a Ramjet engine which uses the missile's supersonic speed to compress air into the combustion chamber. Unlike other missiles which burn fuel and then decelerate, Bvraam will limit the target aircraft's "escape zone", its ability to manoeuvre out of the missile's reach, by going at full power all the way to the target.

A key difference is that Raytheon will use liquid fuel and Matra BAe solid fuel, with each claiming theirs is the only way of meeting the performance demanded by the Royal Air Force.

Both sides are developing new engines which carry a degree of risk. But Raytheon is confident it can supply the missile by the time Eurofighter enters service, expected to be 2004. Matra BAe said it could produce its missile by 2007.

Noise levels rise as Canada and Brazil seek aircraft peace

Bombardier and Embraer are still battling over subsidy allegations, writes **Edward Alden** and **Jonathan Wheatley**



Embraer beat Bombardier last year for contracts to sell 50-seat jets (above) to two airlines

Canadian and Brazilian efforts to stitch together a quiet resolution to a bitter dispute between each country's flagship aircraft manufacturer appear to be coming unravelled.

While negotiations are set to begin early next month between the two governments, controversy is erupting over the recommendations of two mediators that were supposed to form the basis for a deal.

The dispute involves allegations by Montreal-based Bombardier that its Brazilian competitor, Embraer, made significant inroads into the lucrative regional aircraft market because of government export finance subsidies. That charge, levelled after Embraer beat Bombardier last year for contracts to sell 50-seat jets to American Eagle and Continental Express, was greeted by Embraer's own claims that Bombardier is the beneficiary of Canadian government subsidies.

Embraer says it may also take legal action after its ejection last year from a Nato contract managed by Bombardier to supply training aircraft in Canada. Embraer had been due to supply its Tucano trainer in a $100m deal, and claims it was excluded at an advanced stage in reaction to the success of its regional jet.

While the wider dispute may yet end up before the World Trade Organisation, both countries are hoping for a quieter resolution. Two mediators, one each from Brazil and Canada, were appointed earlier this year after the row delayed the completion of closer trade ties between Canada and the Mercosur countries. Their recommendations were welcomed by both governments.

The mediators' report is understood to be implicitly, though not explicitly, critical of programmes on both sides. It calls, for instance, for an end to joint ventures between governments and companies that have the effect of lowering the sale price of aircraft – a veiled criticism of an arrangement between Bombardier and Canada's government export credit agency.

It also urges both sides to uphold the rules of the WTO and the Organisation for Economic Co-operation and Development on export financing for aircraft. That agreement, to which Brazil does not belong, prohibits government payments that allow aircraft to be sold at less than commercial interest rates, which Brazil appears to do through an export promotion programme known as Proex.

In a May 18 news release, Maurício Botelho, Embraer's president, said the report recognised that Proex was in full compliance with WTO rules for export financing. He also accused Bombardier of receiving export financing subsidies worth 17 to 25 per cent of the aircrafts' value, though Canada has no significant government export financing arrangements for aircraft sales.

This week, Bombardier fired back, releasing what it said was Embraer promotional literature promising commercial airline customers savings of $3.5m per aircraft through the export financing subsidy. Proex allows aircraft buyers to receive an interest rate subsidy of as much as 3.8 percentage points, with a 15-year repayment term. Brazil claims the programme is intended to equalise higher Brazilian domestic bank rates with international lending rates, but the document says that a buyer can select any bank it chooses, Brazilian or otherwise.

Brazil accepts this is so, but argues that any commercial deal with a Brazilian exporter involves a risk premium that Proex helps to offset. In any event, says José Alfredo Graça Lima of the foreign ministry's economics department, Brazil is not a member of the OECD and is not obliged to comply with its agreements.

Yvan Allaire, Bombardier's executive vice-president, called Proex a scandal, charging that Brazilian tax dollars were being used to subsidise foreign buyers who could already borrow funds at the lowest rates available. In the case of American Eagle, one source said, the company was paying less than 4 per cent on its loans to buy the 50 Embraer jets.

Embraer says Proex is a legitimate programme, available to exporters of 1,500 different items and not tailored for the aircraft industry. Frederico Fleury Curado, planning director, says it helps offset disadvantages suffered by Brazilian exporters because of the so-called *custo Brasil*: a combination of high interest rates, an overvalued currency and high operating costs caused, among other things, by poor infrastructure.

Neither side, it is clear, has clean hands. While Bombardier has been among the country's largest recipients of government defence technology support, the company and the government say those programmes are consistent with WTO and OECD rules. But a recent study based on previously confidential government documents showed that of the C$2.1bn (US$1.4bn) lent to all companies under that programme, only 6 per cent had so far been repaid. Bombardier alone received C$204m of those funds.

Canada says it favours the envoys' recommendations, as long as Brazil agrees to live within export financing rules similar to those in the OECD. As a trade-off, the government and Bombardier say they would happily wind up the joint venture financing programme, which was used only once for a 20-aircraft sale to Air Canada.

NEWS DIGEST

BEEF HORMONES

EU told it has 15 months to comply with WTO rule

The European Union has been told that it has 15 months to comply with a World Trade Organisation ruling on its beef hormones ban rather than the period of up to four years it had been seeking. A WTO arbitrator made the decision amid complaints by the US that the EU's request for 2½ years to carry out a scientific assessment and up to another two years for implementing legislative changes was too long.

Last February the WTO ruled the EU had not provided scientific justification to justify the ban imposed in 1989. The US argues this means the ban must be lifted while the EU aims to continue its embargo with the help of the scientific study.

The arbitrator's ruling applies from February. The European Commission said yesterday it was unable to say when the scientific study would be completed but that it always respected its WTO obligations. **Michael Smith, Brussels**

CAR SALES

Disagreement over forecasts

Two of the automotive industry's main forecasting groups disagree strongly over the severity of the impact on this year's world car sales of the Asian financial crisis.

Continued strength in the mature markets of the western world will stem the inevitable decline of total world car sales to "easily manageable levels" – perhaps no more than one per cent, according to the main annual forecast from Standard & Poor's DRI report.*

The Economist Intelligence Unit, in its own forecast**, takes a much more pessimistic view – projecting a drop of more than 4 per cent. Sales in the Pacific Rim will drop by over 30 per cent this year and "it will be 2002 before the region again achieves 1997 volumes", the EIU report warns.

The forecasts agree, however, that the region's car markets will recover relatively slowly. DRI has lowered its forecast for car demand in Asia, excluding Japan, to 3.82m in 1903, down from 4.5m before last year's financial crisis broke.

**World Car Industry Forecast Report, Standard & Poor's DRI, Wimbledon Bridge House, 1 Hartfield Rd, Wimbledon, London SW19 3RU. $6,600/£4,200*

***World Car Forecasts, 1998 Edition, Economist Intelligence Unit, tel:(44) 171 830 1007. £795/$1,095* **John Griffiths**

BARLEY WAR

EU condemns US retaliation

The European Union yesterday accused the US of pursuing "domestic political motives" after Washington announced a scheme to subsidies barley exports in retaliation against a controversial EU shipment to California. The European Commission, the EU's executive, said the US action was "totally disproportionate. You have to assume domestic political motives are behind it rather than trade motives".

The dispute began when the US learnt that a 30,000 tonne shipment of subsidised barley is heading this week to an animal feed manufacturer in Stockton, California. Dan Glickman, US agriculture secretary, announced on Wednesday that Washington would subsidise sales 30,000 tonnes of US barley to Algeria, Cyprus and Norway. **Michael Smith**

Tokyo tax plan to cure bad loans

By Michiyo Nakamoto and Gillian Tett in Tokyo

The Japanese government yesterday proposed tax incentives to encourage banks to dispose of the massive bad loans weighing down the financial system.

The incentives could be introduced as early as this summer, an influential panel of the ruling Liberal Democratic party indicated.

The LDP also decided to introduce new parliamentary legislation to encourage banks to sell the property collateral behind their bad loans.

These measures would mark a significant step towards resolving Japanese problem loans, which total Y77,000bn ($560bn) for the entire financial sector and are a big factor dragging down the economy.

Yasuo Kanzaki, chairman of the Nikko Research Institute, a think tank, said: "There has been a big change in attitude. The politicians are now finally serious about tackling the bad loan issue."

However, analysts warned the plans still lacked details. James Fiorillo, banking analyst at ING Barings said: "The million dollar question is whether this is serious action, or merely the same short-term band-aid type approaches we have seen on so many occasions before."

The latest LDP proposals have been triggered by a policy initiative to stabilise the financial system drawn up by Ryutaro Hashimoto, the prime minister, last month. Dubbed the "total plan", the prime minister's aim was to speed up the disposal of bad loans, redevelop properties with low asset values and purchase non-performing property held as collateral through public institutions.

An LDP panel will release a final report on the "total plan" next month. But yesterday the panel agreed to submit three bills to an extraordinary Diet session after national elections in July. The bills would:

■ Allow establishment of servicers to speed the process of collecting collateral. These are private companies which act as middlemen in the property market.

■ Simplify the complex and time consuming legal procedures to put non-performing real estate assets to auction.

■ Create an intermediary body between creditors and debtors to speed the sale of property held as collateral. A key aim of this body is expected to be resolving conflicts created when several different lenders have claims on a property. This has been a crucial obstacle to solving the bad loan problem because multiple mortgages are widespread in Japan.

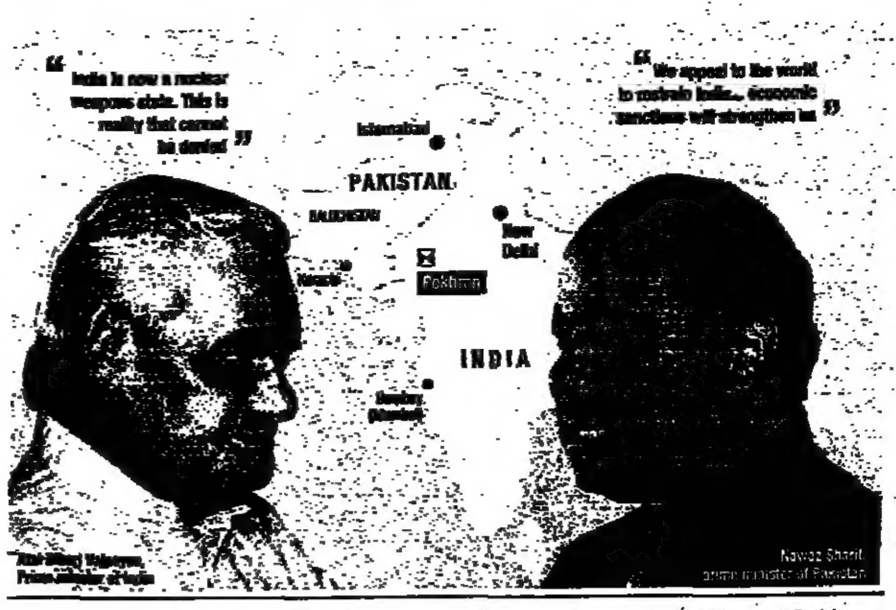
Takumi Nemoto, an LDP parliamentarian and a member of the panel said: "These measures are necessary because Japan's financial system is not working smoothly."

The LDP panel also agreed to introduce reforms to make bad loan disposals tax-free. This is important because bad loan disposals are currently taxed as gifts unless banks prove the value of their "loss". The procedure for valuing this loss is complex and time-consuming and so an obstacle to bad loan disposals.

One solution being considered is a new pricing formula, which could assess losses rapidly based on cash flow analysis, rather than market prices. These losses could thus be rapidly offset against tax.

South Asia: explosions of national pride clear the air

India and Pakistan are equally deadly now – but that could make for optimism, write **Mark Nicholson** and **Farhan Bokhari**



The optimist's view yesterday was that Pakistan's nuclear tests may settle the regional duststorm raised by India's earlier series of nuclear blasts. South Asia's traditional rivals, which have fought three wars since their partition 50 years ago, have proven their nuclear "parity". They can now allow their respective explosions of national pride to subside and engage in serious talks.

For the pessimists they herald a dangerous and destabilising arms race.

Both views were being voiced in India and Pakistan yesterday.

"The danger now is that the next 50 years for India and Pakistan will be no different from the last 50," said Ghazi Salahuddin, a leading columnist. "The euphoria in India over their tests was beginning to subside, now it will revive."

The optimistic view seemed to prevail in Delhi, however. Officials of the Hindu nationalist Bharatiya Janata party-led government responded with equanimity. "I don't think there'll be any great tension from our side," said one. "We're not taking this very seriously. They had their reason to whip up hysteria from their side and conduct tests. Now they've done it. But I don't think this makes it more difficult to continue talks."

J.N. Dixit, a former Indian foreign secretary, echoed the view. "It's a good thing. It's cleared the air," he said. "Now we each know our capacity, we know the dangers we can inflict on each other and this will impose restraint on each of us. And now, maybe, Pakistan won't have an inferiority complex about India."

This view found voice in Islamabad, where Shirin Mazari, a defence analyst, said: "These tests will prevent another war with India. The stability of deterrence has now been conclusively demonstrated in south Asia."

Certainly, Atal Behari Vajpayee, India's prime minister, has consistently stated since India's blasts that Delhi remained committed to dialogue with Pakistan and saw no reason to halt the faltering peace process begun under the previous United Front government – though there might perhaps have to be changed terms.

This "process" led in 1997 to the first series of high-level bilateral talks between India and Pakistan after three chilly and rhetorically bitter years, along with generally cordial summits between Nawaz Sharif, Pakistan's prime minister, and I.K. Gujral, the former Indian prime minister. Mr Gujral endeavoured to create a "doctrine" of Indian good neighbourliness in the region, premised on India's position as south Asia's chief power.

The process yielded little, however, stalling on the perennial issue of Jammu and Kashmir, the disputed territory over which each has competing claims.

In any case, for the BJP's strategic thinkers, it is not Pakistan but a potential strategic threat from China that lies behind India's desire to prove its nuclear status. They fully expected that once India did so, Pakistan would be politically obliged to follow suit.

When Mr Sharif took office in Islamabad in February 1997, improved relations with India were high on his agenda. He was apparently backed by the country's influential military establishment in considering Pakistan's precarious economy the priority – an economy, moreover, ill-equipped to afford an arms race.

However, initial Pakistani fears about the election of a government in Delhi led by a party that contains aggressively anti-Moslem and anti-Pakistani factions were apparently justified by its swift demonstrations of nuclear prowess. Domestic political pressure for Mr Sharif to respond in kind was instant, probably helped by some particularly aggressive remarks after the Indian tests from L.K. Advani, India's home minister. Mr Advani said Delhi would be more "pro-active" in countering alleged Pakistani-backed insurgency in Jammu and Kashmir and that Islamabad meanwhile should recognise the "change in the geo-strategic relation in the region", adding that "any other course will be futile and costly for Pakistan".

The view in both capitals was that these remarks have also helped return the bellicosity of bilateral rhetoric to its worst levels. Pakistan's accusation early yesterday that India was preparing for a pre-emptive strike on its nuclear installations, for instance, was one demonstration, as was India's curt denial. Delhi alleged a "nefarious design" in Islamabad's accusation, rejecting it as "crude manifestations of the traditional Pakistani mindset of hostility against India".

There will now be unprecedented diplomatic efforts and pressure to try to ensure both countries can retreat from such threatening rhetoric. Until they do, tensions between them will provide a dangerous flashpoint in Jammu and Kashmir, over which border both sides' armies – even during their relative détente – routinely trade gun and shell fire.

The optimists, however, may take some heart from Delhi's apparent insouciance at Pakistan's position. Anticipating the tests last week, Jaswant Singh, a senior BJP leader, said: "India can scarcely deny to Pakistan that which it claims for itself."

Under yesterday's dustclouds, such a view appears a very modest step in a long walk back to improved relations between south Asia's now far deadlier rivals.

Nato to step up efforts to curb nuclear proliferation

Nato leaders yesterday reacted to the nuclear tests on the Indian subcontinent by saying they would step up their global effort to stop the spread of nuclear weapons technology, writes David Buchan in Luxembourg.

After a meeting of foreign ministers of the 16 Nato allies, Javier Solana, Nato secretary general, "strongly condemned" yesterday's Pakistani nuclear tests in the name of the western alliance, which includes three of the world's five established nuclear weapons states. He went on to promise that Nato countries would pursue nuclear non-proliferation efforts "in more depth in the future".

Speaking as current president of the European Union, Robin Cook, the UK foreign secretary, told his Nato counterparts they should do more to pool information on nuclear proliferators.

"Nato has unrivalled military intelligence and the ability to monitor military capabilities," he said.

Mr Cook said that Pakistan now risked losing preferential tariff status for its goods in the EU market, just like India. EU foreign ministers decided on Monday to review India's trade access to the European market.

Sanctions 'boost need for reform'

By Mark Nicholson in New Delhi

Sanctions against India imposed after its recent nuclear tests have made "more urgent" the need for reforms to boost economic growth, a finance ministry review said yesterday.

The ministry's Economic Survey, a traditional pre-budget document, suggested the Bharatiya Janata party-led government's first budget might contain a "broad array" of bold measures to boost exports, further stimulate private and foreign investment in infrastructure, public sector reform and moves to boost the stock market.

The survey's tone chimed with indications from BJP advisers that they expect the government to capitalise on the domestic popularity of the nuclear tests and the imposition of sanctions by presenting a reformist budget.

The survey said growth in gross domestic product "decelerated significantly" last year to 5 per cent from 7.5 per cent in 1996-97.

It expressed "concern" over a "major deterioration" in India's fiscal deficit, which hit 6.1 per cent of GDP against the target 4.5 per cent – chiefly a result of lower excise revenues as imports and industrial output dipped.

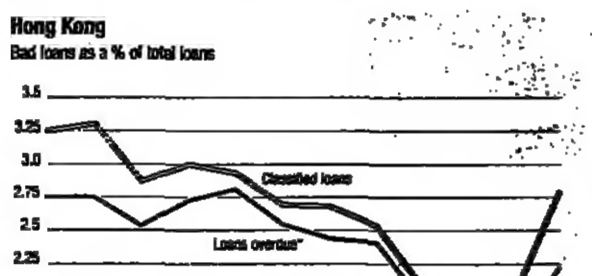
Sustained high deficits would not only "crowd out" already dim private sector investment and raise interest rates but threatened to worsen the external position.

Slow exports were blamed on lower world trade growth and a real appreciation of the rupee against the dollar.

The survey blamed the fall in overall growth on a 3.7 per cent fall in agricultural output, poor infrastructure and low export growth.

Hong Kong banks see profits, lending fall as economy falters

By John Ridding in Hong Kong



Banks in Hong Kong experienced a difficult first quarter, with profits and lending falling and problem loans rising as a result of the territory's economic downturn and the regional financial crisis, the Hong Kong Monetary Authority (HKMA) said yesterday.

But David Carse, deputy chief executive, said the territory's banks were strong enough to withstand an expected further deterioration in asset quality. "The banks are highly capitalised and have high liquidity ratios," he said.

While weak banking sectors have been one of the main causes of Asia's financial crises, Mr Carse drew a distinction between the strength of banks in Hong Kong and elsewhere in the region. "Even if bad debts do rise and profits are lower, the banks have the fundamental capital strength to manage their way through current difficulties," he said.

According to the HKMA, the territory's banking industry supervisor, all banks in the territory have capital adequacy ratios of more than 10 per cent, and most are substantially higher. While banks have been hit by falling net interest margins, competition for deposits and increased bad debt charges, Mr Carse said all banks remained profitable for the first four months. He said the problems facing the banks were a "profitability issue, not a solvency issue".

The HKMA executive said that classified loans – those defined as sub-standard, doubtful or losses – had risen from 2.08 per cent of the total at the beginning of the year to 2.77 per cent.

But he said the figure was low by international standards and less than the ratio in 1995, the last downturn in the Hong Kong economy.

"The number of mortgage foreclosures is still very small," said Mr Carse. "We are not seeing major problems in the residential sector." While asset quality is expected to deteriorate, the HKMA said banks would be protected by continued operating profits, existing bad debt provisions, collateral, and their high capital adequacy ratios.

With domestic lending falling by 0.8 per cent in the first quarter, concerns have been expressed about a credit crunch in the Hong Kong economy. The squeeze partly reflects a withdrawal by Japanese banks, many of which have been struggling to meet domestic capital adequacy requirements. But other foreign banks had been increasing their lending, said Mr Carse, citing French and German banks among those to have expanded total loans in the six months to the end of March.

Editorial comment, Page 13; China's banking sector, Page 12

Link with US$ to stay, says Tung

By John Ridding

Hong Kong will not adjust its exchange rate link to the US dollar in response to the territory's deepening economic downturn and there is no need for China to devalue its currency, Tung Chee-hwa, Hong Kong's chief executive, said yesterday.

Mr Tung said the territory's economic adjustment was painful but necessary to restore competitiveness after years of high inflation and rising asset prices. However, he signalled that property prices had now fallen far enough.

"I would say they are pretty close to where they should be now and if we can get the stability back at this sort of level we would be happy," he told the International Institute of Strategic Studies-Financial Times Conference.

A sustained rise in interest rates to defend the currency has prompted a sharp fall in property prices and a severe economic downturn. Figures due to be released today are expected to show a fall in output for the first quarter, Hong Kong's first economic contraction since 1985.

Despite the costs of the currency peg, Mr Tung dismissed suggestions it could be adjusted. "The linked exchange rate has served us well in the past, it will continue to serve us well in the future," he said. "Asset deflation is very important."

While economists think the depth of the downturn might encourage renewed speculative assaults on the currency link, they add that any adjustment in the present market environment could prove devastating.

Concerns over the Hong Kong dollar, which was pegged at HK$7.80 to the US dollar in 1983 under a currency board system, have been fuelled by signs of a slowdown in the mainland economy.

However, the Hong Kong chief executive said China's economy remained relatively robust.

NEWS DIGEST

CHINA LEVELS SPYING CHARGES

Beijing confirms arrest of Taiwanese businessmen

China confirmed yesterday that it had arrested four Taiwanese businessmen on charges of spying and claimed that they had confessed. State television showed the four men being interrogated and a photo of an intelligence report one of them was said to be carrying when he was arrested.

Xinhua, the state-run news agency, said the four allegedly spied for the Taiwan defence ministry's military intelligence department and were sent to the Chinese mainland to gather political, economic and military information.

It said Chinese security forces also investigated another seven people involved in the case, but gave no details and did not say if the others had been arrested.

In Taipei yesterday, Chang King-yuh, chairman of the Taiwan government's Mainland Affairs Council, criticised the arrests. "The mainland must act on evidence," he said. "I don't believe the businessmen were spying. They went there for business." Taiwanese have invested an estimated US$30bn in China despite a lack of guarantees for the safety of people or property. Beijing and Taipei have been political rivals since the Communists won the Chinese civil war and drove the Nationalists into the island in 1949. **AP, Beijing**

INDONESIAN TROUBLES

Government takes over bank

Indonesia's government yesterday took control of the country's largest private bank, after spending Rp20,000bn ($1.8bn) trying to protect it and six other banks against a massive run. The state-run bank restructuring agency, IBRA, last night replaced the management of Bank Central Asia (BCA), the flagship of Salim Group, Indonesia's largest conglomerate. Two children of former President Suharto own 30 per cent of the bank.

The central bank governor, Shahril Sabirin, said the bank would remain operational, with deposits and other liabilities guaranteed, and urged customers to stop withdrawing funds. He said the bank had lent BCA twice the paid-up capital, which he said was more than Rp4,000bn.

That means BCA received at least Rp8,000bn of the Rp20,000bn lent by Bank Indonesia, the central bank, to seven troubled banks in the past eight days.
Sander Thoenes, Jakarta

MALAYSIAN ECONOMY

Warning on interest rate rise

Daim Zainuddin, economic adviser to the Malaysian government, has warned against following International Monetary Fund advice to raise interest rates. Although Malaysia has not requested financial assistance from the IMF, it is informally seeking advice on the crisis. The IMF supports higher rates.

"The IMF advice will harm companies," Mr Daim said in a speech in Kuala Lumpur. "We should consider both foreign exchange and local companies." Although raising rates would draw more investors into the currency to support the weakening ringgit, it would also make it more costly for companies to borrow money. Companies are already having a hard time obtaining credit, not only because rates are far above normal but because financial institutions have tightened lending requirements as bad loans mount.

Mr Daim said annual credit growth would probably fall below the 15 per cent growth target set by the authorities. Earlier this week Bank Negara, the Malaysian central bank, announced that total lending grew just 14.7 per cent in April. If banks did not resume more robust lending, "economic growth may stagnate," Mr Daim said.

Economist predicted the economy would move into recession this year, with some suggesting first-quarter growth would come in at or close to zero. The government is forecasting 2-3 per cent growth this year.
Sheila McNulty, Singapore

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Habibie says electoral laws will be overhauled

By Gwen Robinson in Jakarta

Indonesia's new president, B.J. Habibie, yesterday promised to overhaul electoral laws and call a special session of the country's top decision-making body to approve changes before elections some time next year.

Mr Habibie's remarks, although lacking detail, were the first specific reference to a poll timetable since he took power a week ago from former President Suharto.

But opposition leaders and activist groups rejected Mr Habibie's proposal and demanded elections within months. About 500 protesters in central Jakarta said Mr Habibie should resign to make way for a special transitional government until elections could be held.

The protests, although minor compared with widespread rioting in the weeks leading up to Mr Suharto's resignation, have fuelled pressure on Mr Habibie to push ahead with reforms and distance himself from his longtime mentor, the former president.

Mr Habibie promised electoral reforms and a special session of the People's Consultative Assembly (MPR) in talks yesterday with Harmoko, the parliamentary speaker. He repeated the pledge in a meeting with Derek Fatchett, UK minister of state for foreign affairs.

Mr Fatchett visited Jakarta for talks with Mr Habibie and senior cabinet members as an emissary of Tony Blair, UK prime minister, and representative of the UK's presidency of the European Union.

He also visited the East Timorese rebel leader, Xanana Gusmao, in the city's Cipinang prison. The government has released two more political prisoners, bringing to four the number freed since Mr Habibie took office.

The 1,000-member MPR meets every five years to elect the president and vice president. However, it has been frequently criticised as a rubber stamp body, due to its composition of 500 members directly appointed by the president and 500 MPs, mostly from the ruling Golkar party. The last MPR session was in March, when Mr Suharto was named to his seventh consecutive five-year term and Mr Habibie was chosen as his deputy.

Parliamentary elections were held in May 1997, in which Mr Suharto's Golkar party won a sweeping majority over the two minority parties – the only other legally recognised political parties. When he took power last week, Mr Habibie promised to revamp electoral laws and lift the ban on new political parties.

Separately, growing calls for investigations into the business privileges enjoyed by family and friends of Mr Suharto increased nervousness in the foreign exchange and stock markets. The rupiah fell nearly eight per cent on the day to more than 11,000 to the US dollar. Shares in companies with links to Mr Suharto, some of the country's biggest employers, fell further after remarks by US officials that Washington would consider a probe of Suharto family assets in the US if the Indonesian government or individual citizens tried to claim them.

TRANSIT FOR OIL PLAN WILL TEST RESOLVE OF WASHINGTON IN ITS MOVES TO CHECK IRANIAN INFLUENCE IN CENTRAL ASIA

Tehran to issue $400m Caspian pipeline tender

By Roula Khalaf in London and Robert Corzine in Almaty

Iran is set to issue a tender for a $400m pipeline to carry Caspian oil to Tehran, in further defiance of US attempts to prevent it from acting as the transit route for oil from the Caspian region.

The planned 392km pipeline from Iran's Caspian Sea port of Neka to Tehran is the first leg of a project aiming eventually to pipe the oil all the way down to the Kharg terminal in the Gulf, the Iranian news agency said yesterday. The tender is to be issued in London next week during a visit by Ali Majedi, Iran's deputy oil minister.

The pipeline project is part of Iran's attempts to attract large-scale foreign investment into its oil and gas sector. It also marks a growing Iranian effort to persuade other Caspian states and international oil companies operating in the area to use the country as a "land bridge" to world markets. Many industry experts and diplomats believe Iran is the cheapest way to export crude from the Caspian.

Issuing a tender for the pipeline is Iran's way of testing the resolve of the US in its attempts to check Iranian influence in central Asia and deter foreign investment in the Islamic Republic.

Iran's latest initiative coincides with increased US lobbying for a trans-Caspian pipeline that would avoid both Iran and Russia. Washington believes its proposal for a regional "energy corridor" to the west would help ensure the political and economic independence of oil- and gas-rich countries such as Kazakhstan, Turkmenistan and Azerbaijan.

The US this month decided not to penalise France's Total, Russia's Gazprom and Malaysia's Petronas for signing a $2bn contract last year to develop Iran's South Pars gas field. But it said this waiver on US sanctions against companies investing in Iran would not cover companies investing in pipeline projects.

Western oil executives say the planned pipeline is aimed at increasing oil swap transactions Iran has started entering into with western oil companies producing in the Caspian region.

The history of swaps in the region has been mixed. Kazakhstan sent test shipments of crude to Iran several years ago, but the two sides were unable to overcome technical and commercial problems. Iran has now signed two swap agreements with the UK's Monument Oil and Dublin's Dragon Oil, whereby the companies deliver crude oil produced in Turkmenistan to refineries in northern Iran, receiving in return Iranian crude from ports on the Gulf.

Mobil confirmed yesterday that it was seeking permission from the US government to enter into a similar deal. Company officials said swaps in support of energy projects in Turkmenistan, Kazakhstan and Azerbaijan were exempted from US regulations preventing dealings with Tehran.

The swap schemes provide western oil companies with efficient outlets for their oil and allow Iran to supply its northern cities without having to transport it from its southern fields. Tehran receives transit fees which could be as low as $14 a tonne, according to Iranian officials in Almaty.

But with the two existing small pipelines connecting the northern ports to Iran's refineries, Iran now has the capacity to swap no more than 100,000 barrels a day, according to western oil officials. The planned pipeline will alone have a capacity to transport 350,000 b/d.

The pipeline project – like the rest of oil and gas industry projects – is being offered as a buy-back scheme because the Iranian constitution precludes western ownership in oil and gas projects.

This means investors will not own equity in the pipeline but will be paid their costs and profits out of the transit fees Iran receives from the oil swap deals.

US Eximbank willing to finance Caspian pipelines

The US Eximbank is willing to provide financing for Caspian region pipelines, including the Baku-Ceyhan project favoured by the US, the agency's president announced yesterday, writes *Kelly Couturier* in Istanbul.

"There is no limit to the amount of money we will commit" to pipeline projects that are determined to be commercially viable, James Harmon said at a US-sponsored energy conference in Istanbul. The announcement, the first public offer of US financing for a Caspian region pipeline, came on the heels of a strong endorsement of the Baku-Ceyhan pipeline project by Federico Peña, US energy secretary.

The $2.5 Baku-Ceyhan project, which the US hopes will form the basis of an "east-west energy corridor", is designed to carry both gas and oil from the Caspian region to western markets. The 1,730-kilometre pipeline would carry oil from Baku in Azerbaijan via Georgia through to Turkey's Mediterranean port at Ceyhan. An international consortium developing three offshore oil fields in Azerbaijan, the Azerbaijan International Operating Company, is expected to make a decision on a main export pipeline route by the end of the year.

Legal wrangle may hit Cairo hotel sell-off

By Mark Huband in Cairo

A courtroom battle for ownership of a Cairo hotel is looming as the first significant legal challenge to the Egyptian government's privatisation programme.

A total of 14 bids have been received for the city-centre Nile Hotel. But as the government prepares to close the bidding, a legal challenge is expected to be mounted by a British company, Wena Hotels. The British company signed a 25-year lease with the hotel's owner, the state-controlled Egyptian Hotels Company (EHC), in 1990, giving it the right to operate the hotel on a leasehold basis.

The Wena case has arisen at a time when the government is desperate to attract foreign direct investment. However, the case is thought to have discouraged other British companies from investing in Egypt because of the failure of the bureaucracy to resolve a row that has cast a cloud over what was intended to be a flagship investment in the tourism sector.

A dispute arose when Wena found the condition of the hotel to be far below that stipulated in the lease. The company withheld part of the rent, as the lease permitted. But negotiations over improvements to the hotel collapsed, and the EHC demanded that the property be returned to the state. As Wena had already invested substantial sums in developing its business in Cairo, as well as at the Luxor Hotel in Luxor, it fought attempts to terminate the lease.

These efforts led to the occupation of the Nile Hotel by bailiffs in April 1991 and the eviction of staff and guests. Wena eventually received compensation when a Cairo arbitration court ruled in its favour. However, the arbitration ruling was not fully implemented, and the company therefore regards its 25-year lease as still valid. The company intends to sue the successful bidder for the hotel, whose identity will be announced on June 2.

Government officials say that Wena rescinded its claim to the Nile Hotel when it received some compensation following the arbitration judgment. However, Wena officials say that the court ordered that its compensation payment should include not only payment for damage incurred when bailiffs occupied the hotel but also reimbursement for lost earnings and interest. These payments have not been forthcoming.

Leading Egyptian and Arab investors are known to have bid for the hotel. Among them are the Saudi Arabian financier, Prince al-Waleed bin Talal, and the leading Egyptian industrial group Orascom.

In possible recognition that Wena still has a claim on the hotel, Orascom lawyers wrote to Wena on March 10, 1998, asking the company to waive its rights to the hotel. The letter asked Wena to terminate all disputes with EHC regarding the property and rescind its claims regarding the arbitration judgment, whose non-implementation lies at the heart of Wena's ongoing claim to the hotel. Wena has refused to agree to the requests.

Despite the threat of legal action, the EHC is determined to press ahead with the sale. The case is one which the government would like to see closed, because of the adverse publicity it has brought.

NEWS DIGEST

AFRICAN DEVELOPMENT BANK

Member states agree to boost bank's capital

African Development Bank member states agreed yesterday to contribute an extra $8bn in capital to the bank to help boost the organisation's strength. The increase comes despite concerns from some African members of the bank that it will give more influence to non-African bank shareholders.

The 35 per cent capital increase was approved during the second day of a conference in the Ivory Coast. The increase will boost the bank's capital pool from about $21.7bn to about $29.35bn. The increase will give the bank additional resources and help protect it in the event of a large loan default, said Omar Kabbaj, the president.

The increase, which must be ratified by governments of the member states, tips the shareholding balance of the bank. Non-African countries now control 40 per cent, compared with 33.3 per cent before the increase. Nigeria, Libya and several other members had opposed the increase but reached a last-minute compromise.

The approval of the capital increase also clears the way for the start of talks on the replenishment of the African Development Fund, the bank's soft-loans arm. **AP, Abidjan**

ERITREA-ETHIOPIA CONFLICT

Border force mobilised

Veterans of Eritrea's 30-year war for independence from Ethiopia yesterday boarded trucks headed for disputed border areas as the two countries raised the pitch of their verbal battle. Military sources say at least 200,000 Eritreans – including regular army, veterans and youths doing compulsory military service – have been mobilised since Ethiopia first publicised the conflict along its north-eastern border two weeks ago.

The ruling Ethiopian People's Revolutionary Democratic Front party has warned that force would be used if Eritrea did not pull out of occupied Ethiopian territory.

Last week, Meles Zenawi, Ethiopian prime minister, also warned that the row risks turning into a a full-scale conflict with Eritrea. Ethiopia claims that Eritrea is illegally occupying a 400 sq km area known as the Yigra triangle in north-western Ethiopia. Eritrea says that according to the Italian colonial boundaries that are still binding, the area is Eritrean. Eritrea has called for outside help to mediate the border problems. Ethiopia says it will not negotiate until Eritrea withdraws from its territory. **AP, Asmara, Eritrea**

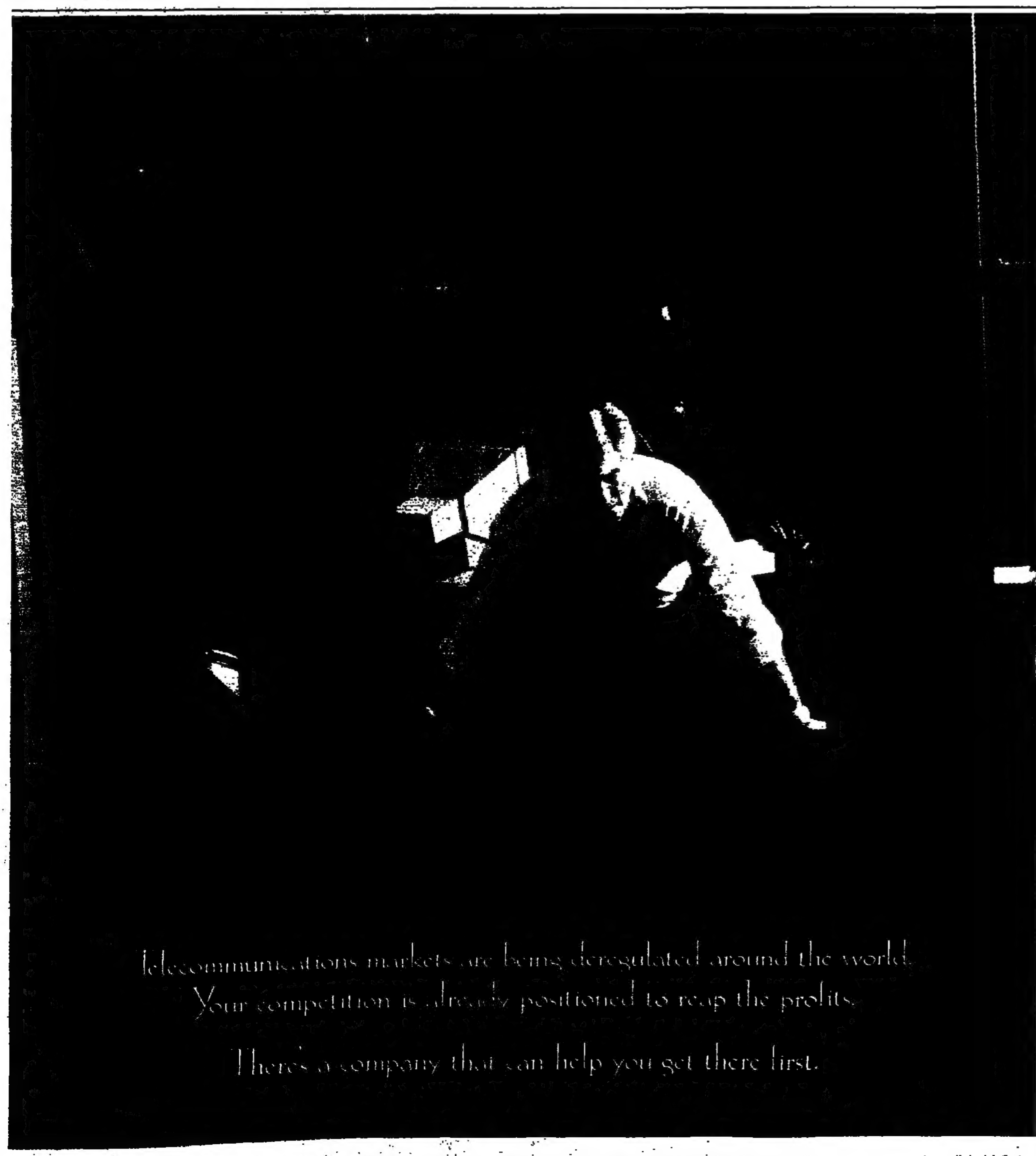
UN SANCTIONS

Butler in talks with Iraqis

Richard Butler, chief United Nations weapons inspector, yesterday met an Iraqi delegation in talks that UN diplomats said would test Iraq's will to co-operate with the UN mission to dismantle Baghdad's arsenal of banned weapons (Unscom).

UN diplomats said the meeting at the UN headquarters in New York, which was called by Iraq, could be a step forward in the disarmament process if Baghdad were to provide new information on its proscribed weapons and their production facilities.

Some diplomats suggested that the meeting was an attempt to widen divisions in the Security Council over Iraq by pre-empting Mr Butler's report to the Security Council on June 3. **Laura Silber, UN, New York**



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LONDON STOCK EXCHANGE

Electronic system to be opened up

By Jean Eaglesham in London

Millions of private investors are to get access to the London Stock Exchange's controversial electronic order book dealing system.

The largest exchange in Europe said yesterday it will abolish the minimum order size for deals on the system, known as Sets. The move is part of a package designed to increase the volume of deals traded through Sets and so the reliability of prices quoted on it.

Sets has provoked criticism from brokers and investors since its introduction six months ago. It has cut the spread between buying and selling prices for some deals but only 32 per cent of trades in FTSE 100 companies, measured by value, are going through it. The rest go through the traditional system of marketmakers, who quote prices for shares. This has led to liquidity problems and some erratic prices, particularly at the beginning and end of trading.

But the exchange has not adopted the radical measures that some market participants called for, such as requiring certain stocks to be traded through Sets. It said that compulsion would lead to business going offshore and implied that the solution to the low volume problem lay in the market's own hands.

"It is ultimately a cultural issue," said Martin Wheatley, head of marketing and development at the exchange. "People are starting to realise that if you want immediacy [by agreeing a deal with a marketmaker] you have got to pay for it."

The minimum Sets order size is being scrapped on June 8. This will allow many more small investors to use Sets, although those who hold certificates for their shares will still be denied access because they cannot settle bargains quickly enough. The Association of Private Client Investment Managers and Stockbrokers welcomed the move.

But it criticised the decision to move the market opening time from 08h30 to 09h00 from July 20. Angela Knight, chief executive, said: "I am sorry they have not extended the opening hours – increasing numbers of retail investors want to be able to deal before they come to work or after they get home."

The exchange also plans to try to align the closing time of the Sets trading day with that of the London International Financial Futures Exchange and to introduce a volume weighted average closing price.

Market users gave the package a lukewarm welcome.

"It is a step in the right direction but I am not sure it is going to resolve all the problems," said Michael McKersie, manager of investment affairs at the Association of British Insurers. "The jury will remain out for a while."

● The exchange has abandoned its plans to offer a dual order book in both sterling and the euro. Instead, dealing in shares will be switched to euros when there is sufficient demand.

● Share deals on the exchange passed the £1 trillion ($1.63 trillion) mark for the first time last year, the exchange revealed yesterday, James Mackintosh writes. Sharp cuts in the cost of dealing were more than offset by the high volumes, and the exchange, owned by its member stockbrokers, reported pre-tax profits of £24.1m in the year to March 31. This was slightly down on last year's £25.3m.

ADAMS IN NY 'WORST THAT COULD HAPPEN IS THAT US PEOPLE SHOULD THINK IT'S OVER'

Plea goes to Irish-Americans

By Tracy Corrigan in New York

Gerry Adams, president of Sinn Féin, yesterday toured the New York Stock Exchange and had privvate meetings with what Friends of Sinn Féin, the party's US affiliate, described as "important" investment bankers.

Larry Downes, spokesman for the Friends, declined to name participants at the meetings, which were followed by a $1,000-a-head fundraiser at a hotel in the World Trade Center, which was closed to the press – though a large fundraising reception at the Plaza Hotel on Wednesday had been open to journalists.

While the Friends of Sinn Féin described the visit to the New York Stock Exchange as "an official visit", a NYSE spokesman said it was a private event, which it had not initiated. "We granted a request for a private tour," he noted. The slight air of mystery surrounding the Wall Street visit suggests that at least among the financial community there may still be some reluctance to be too closely associated with Mr Adams.

Mr Adams was given a rapturous welcome at the Plaza Hotel on Wednesday at the start of his first visit to the US since the peace agreement in Northern Ireland in April. Mr Adams was at pains to tell supporters that his purpose was to garner fresh backing, not plaudits.

"This isn't a lap of honour, this isn't an ego trip, its part of an ongoing consolidation," he told an audience of about 300 supporters who had paid $250 each to meet him. He added: "This phase of the multiparty talks is over, but the peace process is not."

Gerry Adams tells members of the American-Irish Historical Society in New York that plastic bullets of the type fired by police and British soldiers in Northern Ireland should be banned Reuters

Earlier, he warned a smaller audience at the American-Irish Historical society that "the worst thing that could happen is that people in the US should think that it's over". Mr Adams was frank in his assessment of America's contribution to the signing of the peace accord, acknowledging "we wouldn't have reached this point if it wasn't for Irish America".

In fact, the greater legitimacy afforded to Mr Adams by the peace agreement appears to have heightened his appeal to Irish nationalist sympathisers in the US.

Supporters of Sinn Féin, political wing of the Irish Republican Army, seemed to have no doubt about the importance of a continuing role for America in shaping the Irish peace process. "The main thing is to make sure that the [US] administration makes sure that the British live up to the agreement and the Unionists live up to the agreement," said New York congressman Peter King, one of the rare Republican backers of Irish nationalists, (Irish-Americans are traditionally Democrats). "Only the US is in a position to make that happen, because we have uniquely close ties with both countries. Gerry Adams told me on Good Friday that Sinn Féin would not have stayed in the talks without Bill Clinton" [who spoke to Mr Adams during the talks].

Crash tests 'improve road safety'

By John Griffiths in London

"Unofficial" car crash tests have brought about significant safety advances 18 months after they began, road safety officials said yesterday after revealing the latest results at the Transport Research Laboratory.

The tests are more severe than EU standards require. But European Commission and other officials warned that not enough progress was being made to reduce pedestrian casualties. They said trials were about to start with technology that would automatically reduce car speed in urban areas.

The fitting of front and side airbags as standard was increasing rapidly because of the tests, according to Max Mosley, chairman of the crash programme consortium, which includes the European Commission's transport directorate.

Europe's leading carmakers are abandoning their open hostility to the tests to co-operate with the "Euro NCAP" (European new car assessment programme), the officials said after announcing results of the latest tests on 12 small family cars built by European, Japanese and Korean makers.

The Renault Mégane, Audi A3 and new Volkswagen Golf earned the maximum four stars for their ability to survive a 64kph (40mph) frontal crash and 50kph (30mph) side impact with least injury to their occupants.

The Citroen Xsara, Peugeot 306 and Toyota Corolla earned three stars. The Daewoo Lanos and Honda Civic earned two-and-a-half stars, and Fiat's Brava two stars.

The Mitsubishi Lancer, Korean-built Hyundai Accent and Japanese Suzuki Baleno each earned one-and-a-half stars. None earned more than two stars for a test assessing likely injury to pedestrians.

NEWS DIGEST

STRENGTH OF STERLING

Export orders reach their lowest point for 15 years

Manufacturers' exports orders have fallen to their lowest levels for 15 years as the impact of sterling's strength continues to hurt UK industry. The Confederation of British Industry's survey of output for May, published yesterday, found export orders at their weakest since 1983. Sterling tumbled on foreign exchange markets after the CBI also published its latest economic forecast, which predicted a cut in interest rates by the fourth quarter of this year.

The CBI's industrial trends survey showed manufacturing in an even gloomier position than last month. But the UK's trade deficit and the strong pound has also helped to keep UK interest rates down, Eddie George, the governor of the Bank of England, the UK central bank, told a conference in London: "If we had not had the impact of the strong exchange rate and the weakening of external demand, policy would have had to besignificantly tighter." **Richard Adams, London**

Currencies, Page 25

EUROPEAN UNION

Ex-minister attacks 'dinosaurs'

Sir Leon Brittan, European Union trade commissioner, yesterday attacked Eurosceptic "dinosaurs" in the British Conservative party. Sir Leon was a cabinet minister in Margaret Thatcher's Conservative government in the 1980s.

Sir Leon insisted that his Conservative colleagues were wrong to suggest that the European Union was bent on centralisation and harmonisation.

William Hague, Conservative party leader, said last month that monetary union could amount to being in "a burning building without an exit". Sir Leon said the single market project was "one which is applying the Thatcherite policies of sound finance that the Conservatives promoted in the 1980s across Europe as a whole".

● Britain's presidency of the European Union suffered a setback yesterday when the European Parliament rejected a position paper for next month's summit of EU leaders in Cardiff, south Wales, which included some of the key themes of the UK presidency. The parliament voted 245 to 223 against a six-page resolution put forward by the dominant socialist group – including British Labour MEPs – and three other political groups setting out the assembly's priorities for the EU. **Liam Halligan, London; Neil Buckley, Brussels**

London and Emu, Page 10

ISLAND OF JERSEY

Vote for new wealth law

The States of Jersey, the legislative assembly of the island between England and France, has voted into place the last piece of legislation necessary to allow a new limited liability partnership (LLP) law to come into force in September. Under the law the personal wealth of most partners in a firm is protected from legal actions for negligence – although the firm itself and negligent partners are still liable.

Two accountancy firms in the UK – Price Waterhouse and Ernst & Young – have expressed interest in registering in Jersey, the largest of the Channel Islands, all of which are Crown dependencies outside the UK. Both will await the UK government's own promised draft LLP law to see if it offers the protection they seek. **Jim Kelly, London**

HSL ZUID

The Kingdom of the Netherlands High-Speed Line

The Government of the Netherlands announces that it will be issuing a document for consultation on the potential for private sector involvement in the development and operation of the proposed High-Speed Line between Amsterdam and the Dutch-Belgian border on June 5 1998.

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The Government wishes to involve the private sector in helping to formulate the most appropriate way to undertake the Project.

The Consultation Document will provide information on the Project and invite recipients to contribute their views on a range of issues.

Information

Interested parties should contact Mr. M. Wiedenhof at the address set out below, in order to obtain copies of the Consultation Document, or alternatively access www.hslzuid.nl on the Internet from June 5 1998.

The closing date for written responses is July 17 1998.

Address:

Ministry for Transport, Public Works and Water Management
Project Organisation High-Speed Line
Attn. Mr. M. Wiedenhof
P.O. Box 20903
2500 EX The Hague
The Netherlands
Phone: 00-31-(0)70-353 82 41
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NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of the creditors of the above named company will be held at 2.30 pm on 8 June 1998 at The Quality Harrow Hotel 12-22 Pinner Road Harrow, Middlesex, for the purposes mentioned in Sections 100 and 101 of the said Act.

A list of the names and addresses of the creditors of the above-named company may be inspected at the offices of Hurst Morrison Thomson 5 Fairmile Henley on Thames Oxfordshire RG9 2JR between the hours of 10 am and 4 pm on 4 June 1998 and 5 June 1998.

For the purposes of voting a statement of claim and any proxy intended for use at the meeting must be lodged with the company at its registered office, Hurst Morrison Thomson 5 Fairmile Henley on Thames Oxfordshire RG9 2JR not later than 12 noon on 5 June 1998.

Dated 26 May 1998
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MINIMUM WAGE GOVERNMENT FEARS LOW PAY COMMISSION'S RECOMMENDED FIGURE MAY FUEL INFLATION

$6 proposal alarms chancellor

By Robert Taylor, Employment Editor

A figure of £3.60 ($6.00) an hour for workers aged 20 and over, as part of the government's planned statutory minimum wage, has been recommended to ministers by the Low Pay Commission. A rate of £3.20 is proposed for those aged between 18 and 20.

The Treasury is fighting a rearguard action against the commission's recommendations, claiming they are too high and could fuel inflation and damage the government's employment strategy.

Gordon Brown, the chancellor of the exchequer, believes the 18-20 rate could undermine the welfare-to-work programme and push up other pay rates when earnings are rising on average at 4 per cent annually.

Mr Brown wanted all workers up to 25 years old to be exempt from an adult rate. The Treasury had initially wanted a £2.80 an hour youth rate covering everyone up to the age of 25. But the commission has rejected its proposals. The report says that up to 2m workers, mostly women and part-timers, will have rises next year in sectors such as cleaning and catering.

However, the broad welcome given to the commission's proposals by much of UK business may make it difficult for the government to reject its recommendations of £3.60 an hour from next April for those aged over 20, with a further rise to £3.70 in June 2000 and the lower "development" rates for 18-to-20 year olds. Workers aged 16 and 17 will be excluded entirely.

The commission estimates that, if its proposals were adopted, about 2m people, mainly women, would be paid more, adding about 0.6 per cent to the nation's wages bill. The pay of 1.5m women workers would rise by 25 per cent on average while 250,000 18-to-20 year old staff would see a 33 per cent improvement in their pay.

Small companies employing fewer than 10 workers would see an average 0.9 per cent rise in their wage bill, compared with 0.2 per cent for companies employing more than 100 workers.

The commission's proposals were attacked by some trade union leaders yesterday. John Edmonds, GMB union general secretary, warned that the government would make a "large political mistake" if it accepted the recommendations excluding 1m young workers.

Sir Colin Marshall, president of the Confederation of British Industry said the figures were "workable and reasonable". The Federation of Small Businesses said £3.60 an hour was "a sensible starting point".

London outside Emu 'will still lure banks'

By Simon Davies, Capital Markets Editor

The UK's absence from the first wave of membership of European economic and monetary union will not affect its position as the European financial centre of choice, according to a survey of non-UK banks compiled by the London Chamber of Commerce.

Simon Sperryn, chief executive of the chamber, said: "London's inherent strengths are more than sufficient to overcome any problems caused by the UK's non-participation in the single currency."

However, if the UK remains outside Emu in the long term, it will significantly affect the attractions of London, the report said. There were also concerns over rising rental costs in London and the state of the local transport system.

Of the 100 banks interviewed, 23 per cent said they would consider relocating to another European city. This was down from 28 per cent in the chamber's last survey compiled in 1995.

Some financial institutions in London have come under pressure from Europe recently. The London International Financial Futures and Options Exchange lost its dominant market position in German government bond futures to the Deutsche Terminbörse earlier this year.

Meanwhile, the European Banking Federation is trying to set up Euribor as an alternative to the British Bankers' Association's Libor benchmark for bank lending.

This has led to concerns that London's position will increasingly come under threat after next year's launch of the euro.

Most of the banks surveyed expect to increase staff numbers in London in the next two years.

NEWS DIGEST

MARINE INSURERS' WARNING

Claims over 'millennium bomb' unlikely to be met

London-based marine insurers have warned commercial shipping operators that they would probably not meet claims relating to the "millennium bomb". Underwriters at Lloyd's and companies operating in the rest of London's commercial insurance market said such losses were "predictable and foreseeable". Policyholders should be taking action to ensure computer systems were compliant.

Container ships could lose power and navigation systems fail because of the millennium problem, which is caused by the inability of many computers to recognise dates after 1999.

The Joint Hull Committee, a group representing marine insurers which cover some 20 per cent of the world's commercial shipping fleet, published a questionnaire designed to discover from policyholders details of the steps taken to tackle the expected problem. **Christopher Adams, London**

ONLINE SURVEY

More buy through the internet

More people in the UK are using the internet and a rising proportion use it to buy products, says a survey conducted on behalf of Ziff-Davis, the US publishing group; Yahoo!, the US internet search company; and KPMG, the UK accountancy firm. Almost 6m adults, or 13 per cent of the population, have used the world wide web, the software that gives easy access to internet facilities – more than double last year's figure. A quarter of those using the web had purchased a product or a service on the system in the past year, more than double the previous figure. **Christopher Price, London**

TOBACCO INDUSTRY

Duty gap 'boosts smuggling'

Gallaher Group, the cigarette manufacturer, has warned that the widening differential between UK tobacco duties and those in mainland Europe was fuelling an upsurge in cigarette smuggling. Peter Wilson, chairman, said that while annualised legitimate tobacco sales in the UK fell by 4 per cent in the first quarter against the long-term trend of 3 per cent, a surge in bootleg sales was thought to have left the overall market unchanged. Gallaher has asked the UK government to abandon its policy of increasing tobacco duty at 5 per cent above the annual rate of inflation. Mr Wilson was speaking at the group's first annual meeting since its demerger from Fortune Brands of the US last year. **Jonathan Ford, London**

ACCOUNTANCY REGULATION

$25,000 penalty for firm

Grant Thornton, the leading middle-tier accountancy firm, has agreed to pay a regulatory penalty of £15,000 ($25,000) for failing to follow rules on investment business in relation to dealings with a client and its investments and handling of "investment business clients' monies" – according to the financial services authorisation committee of the Institute of Chartered Accountants in England and Wales. The institute said the client suffered no financial loss. Neither the firm nor the institute would comment further. **Jim Kelly, London**

Dispute over MGAM rulings

Investigators at Imro, the fund management watchdog, are to refer any call for an inquiry into their handling of the Peter Young affair to the Financial Services Authority, **Jane Martinson writes.**

The unprecedented move comes as the former directors of Morgan Grenfell Asset Management implicated in the scandal are preparing to call for an independent inquiry into the way the investigation was carried out. MGAM is an offshoot of Deutsche Bank.

The investigating team at Imro is understood to be angry that its professionalism has been called into question. Imro has therefore cleared the way for the FSA, the new unified financial regulator, to deal with any future calls for an inquiry.

At least two of the directors suspended by Imro last week plan to to complain to it about the way the case was handled. Costs for the four cases settled last week amounted to more than £800,000 ($1.3m).

Imro said yesterday: "We are confident that we acted professionally and properly."

AKIHITO VISIT WAR VETERANS CONTINUE PROTESTS AS PREMIER ADDRESSES EMPEROR

Blair stresses Japan-UK accord

By Our Tokyo Staff and Agencies

The scars suffered by British prisoners of Japanese forces in the second world war will not be forgotten, Tony Blair, the prime minister, told Emperor Akihito in London yesterday. But he also stressed a determination to "look forward in a spirit of reconciliation and to recognise the reality of our relationship today with modern Japan, which is one of strength and friendship for the future".

Veterans of the war again staged a demonstration against the emperor as he was driven to Mr Blair's official residence in Downing Street. Many carried placards challenging the prime minister. One said: "Talk, Blair," another said "Japanese brutality hurts", and another, "British duplicity stinks".

During a lunch for the emperor, Mr Blair said: "For some, the scars of the past go so deep they will never heal. We have to understand and appreciate this. My generation in particular has not forgotten what we owe to the generation that went before us. And we never will."


Page 10

Daily Mail

COMMENT

Why the past must not be forgotten

Could not the Japanese government have found a way of allowing the Emperor to express his unambiguous regrets?

Of course we value our friendship with the new Japan and we must protect our close economic ties with that nation — although Japanese investment here says more about our good industrial relations, our lightly regulated markets and our role as gateway to Europe, than it does about diplomatic niceties.

VOICE OF The Mirror

An insult to our heroes' memories

THE Japanese Emperor's spokesman brushed off the protest by Far East veterans yesterday, saying: "It doesn't get under our skin."

It is the final, disgusting insult to the Prisoners of War.

The feelings of the veterans are far more than skin deep.

In spite of their rivalry and divergence on many issues, two of Britain's top-selling daily newspapers – the Daily Mail and The Mirror – had similar views about the state visit of Emperor Akihito

Mr Blair said that the emperor's and the empress's visit was a chance to celebrate close links between Britain and Japan built up over the past half century. "I feel a personal commitment to those links, symbolised for me by the Japanese companies who have helped transform the economy in my constituency of Sedgefield in the north-east of England and by the cultural, political and intellectual ties that hold us together."

In Tokyo, many business officials expressed surprise at the idea that controversy in the UK over the emperor's visit could influence their business decisions. Yoshihiro Kitadeya, manager of the international publicity group at Matsushita, said: "I saw the emperor and the Queen on a coach on television. It looked really beautiful. But I didn't notice the report that went with it, and I didn't know about the veterans.

"Their gestures won't affect our attitude to the UK. We have been investing there since 1972 and have eight factories and 4,000 employees in Britain."

Honda, which has a factory in south-west England, was unconcerned by events in London, and said political events did not usually have a direct impact on its businesses.

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Financial Times

THE PROPERTY MARKET

NORMA COHEN
THE PROPERTY MARKET

An asset class apart

Questions about whether pension funds ought to be the direct owners of property are again being raised in investment circles

Richard Ziman, chairman and chief executive officer at Arden Realty, southern California's largest owner of office property, says the worst joint venture partner he ever had was a pension fund.

At the height of the last property boom, he had an offer to buy out a development for more than 50 per cent above its recent purchase price. His joint venture partner, however, refused to sell. "He thought the market was going like this," Mr Ziman says, forming an endless upward slope with his hand.

Pension funds, Mr Ziman argues, should not own property. They have neither the management infrastructure nor the entrepreneurial culture needed to get the best out of real estate.

However unhelpful Mr Ziman's sentiments may be for the property market, they are hardly his alone.

The collapse of US and European real estate markets in the early 1990s has forced many smaller pension funds to withdraw from direct property investment. Moreover, the rise of the real estate operating company – companies that attempt to achieve outperformance through intensive management of property – raise questions about whether pension funds ought to be the direct owners of real estate at all.

"Pension funds were sold a bill of goods to invest in this asset class called real estate," says John Lutzius, an analyst at Green Street Advisors, a California-based real estate securities research firm. "I think they have been misled."

Mr Lutzius says property has been treated as a separate asset class because of historical data suggesting its returns are less volatile than those of equities or bonds. However, he says, the absence of volatility may really reflect the illiquidity of real estate when markets collapse.

Moreover, property appraisal is backward looking, reflecting the last price at which similar properties changed hands. Appraisal, Mr Lutzius argues, is a lagging indicator which understates volatility in fast-moving markets.

Analysis of real estate volatility, both in the US and the UK, suggests that it is indeed less volatile than stocks or bonds. But in both markets, it underperforms.

Robin Goodchild, research director at CIN LaSalle, manager of £1.8bn in pension fund property assets, notes that the standard deviation in property returns, as measured by the Investment Property Databank Index, is 0.2 per cent, against 0.6 per cent for bonds and 0.8 per cent for equities. "But reduction in volatility is not enough when you consider the reduction in returns," he says.

Pension funds outperformed the IPD index in four of 17 years

According to data from WM Company, the performance measurement service, UK property has returned an average 10.5 per cent annually over the past 20 years, while UK bonds have returned 12.7 per cent and UK equities 17.7 per cent. Government bonds, a risk-free investment with almost no management costs, offer better returns than property. Why invest in property?

In the US, history is similar, according to Property & Portfolio Research, a Boston-based advisory firm. Between 1982 and 1997, the firm's bespoke property index shows annualised returns of 7.3 per cent against the Lehman Brothers Government/ Corporate Bond Index which showed annualised returns of 11.7 per cent. The S&P 500 Stock Index had annualised returns of 18.0 per cent during that period.

Indeed, the UK data show pension funds cannot match these admittedly low returns. According to IPD, UK pension funds did worst as real estate owners between 1980 and 1997. While the industry achieved average annualised returns of 10.1 per cent, pension funds earned only 9.7 per cent, well below the 11.3 per cent earned by "other" managers – a category that includes property companies.

Pension funds have only managed to outperform the IPD index in four of the last 17 years, their data show.

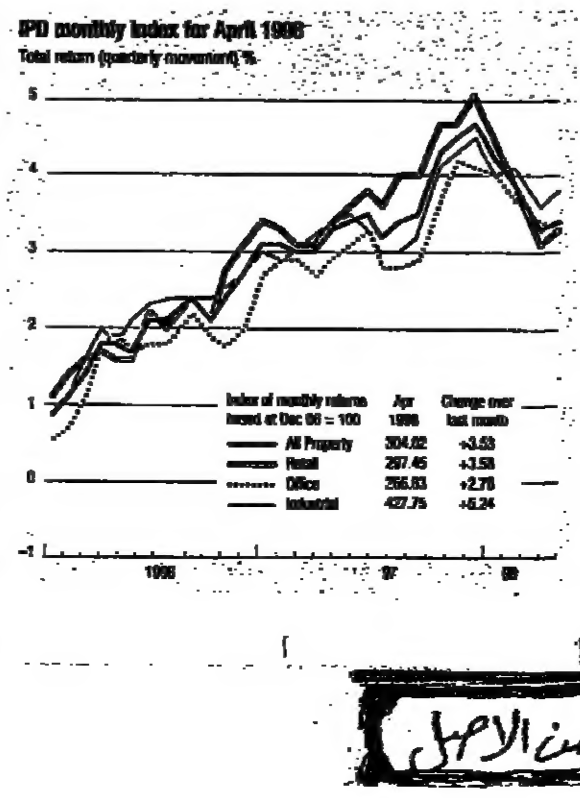
Mr Goodchild argues that property is a different animal to bonds or equities, and notes that between 1971 and 1998 it has outperformed both in each of eight years. "Profits lead earlier in the economic cycle," he says. "Rents come later."

Real estate is an asset that, like equities, moves with inflation and economic growth, two levers driving pension fund liabilities, Mr Goodchild says. Moreover, the traditional long-term UK lease means property will always pay out cash, unlike equities which may withhold dividends.

But if there is a demise of the UK "institutional" lease, which requires the tenant to bear all of a building's occupancy risks, the argument for UK pension fund investment in property is much less strong, Mr Goodchild concedes.

"For a pension fund, that is a high-risk strategy," he concedes. Indeed, as property ownership may prove to be altogether.

IPD monthly index for April 1998



Stage directions rule out merger

Antony Thorncroft suggests more money is the key to Sir Richard Eyre's imminent report on opera and dance

Early next week a hefty parcel will land on the desk of Chris Smith, the UK culture secretary. He will handle it with care, for unless dealt with diplomatically it could cause a nasty explosion.

Only a month late, and with its secrecy remarkably intact, Sir Richard Eyre's report on the future of the Royal Opera House, Covent Garden, incorporating English National Opera at the Coliseum, and almost certainly the new Sadler's Wells, will have reached its target.

The report is the result of some nifty footwork by Smith. Summoned to appear before Gerald Kaufman's Commons heritage committee in November, he needed to be seen to be doing something about Covent Garden. For a minister, that can only mean one thing – set up an inquiry.

He was fortunate to persuade Richard Eyre, recently released from running the Royal National Theatre, to take on the task. He was less fortunate in his suggestion that perhaps Sir Richard would like to concentrate on how Covent Garden and the ENO, which between them cost the government £26.5m a year in subsidy, might come together in the newly refurbished Royal Opera House when its £214m facelift is completed at the end of next year.

One thing is certain – there will be no merger between the Royal Opera House and the ENO. This was quickly discarded, as were most of the seven options that the Eyre committee came up with, including the privatisation of Covent Garden. The report will probably come up with two proposals – the cheap one and the expensive one.

It is pretty obvious that if the aim is the best possible opera and dance provision in London, the government will have to spend more money. Most of Covent Garden's problems are the result of underfunding, particularly when compared to other leading European opera houses. If more money were available, the greatest criticism – that most ticket prices are beyond the reach of many people – could be quickly addressed.

Undoubtedly, the key word in the Eyre report will be "access". It is the word that Smith himself loves to use, and is central to the government's arts policy. Reducing ticket prices – which requires greater subsidy – is just one way of making opera and dance more accessible. A broader range of productions would widen appeal and access, as would more television and radio coverage, video and CD production, and more touring, although the latter is even more expensive.

Along with access will go outreach and education, which are not quite so costly. This is all predictable stuff, what every arts company that depends on subsidy has learned to love. Sir Richard will presumably spell out the opportunities – and the cost.

He will be more challenging when he considers the venues. There are three companies: the Royal Opera, the Royal Ballet and ENO; and three theatres: the Coliseum, the renovated Covent Garden, and, from the autumn, the state-of-the art Sadler's Wells. The opportunity for more flexible programming between companies and venues is obvious.

The under-used Royal Ballet could perform regularly at Sadler's Wells, as indeed it is doing during Covent Garden's closure; and at the Coliseum, which is considered ideal for dance. The Royal Opera and ENO might perform smaller chamber operas, both baroque and contemporary, which can be lost on large stages, at Sadler's Wells.

With the companies playing away more frequently, their home theatres would be available for visits from both British and foreign opera and ballet companies.

This could all be achieved under the existing system, but at extra cost. Alternatively, the Royal Opera House might become a receiving house on the continental model, semi-detached from the Royal Opera and the Royal Ballet, but devising an appealing annual programme of the best of opera and dance.

This could lead to substantial administrative, marketing and operational savings, especially if the orchestras and choruses of Covent Garden and the Coliseum were merged into one house orchestra and one band of singers.

However, this is unlikely, as it would lead to widespread job losses, and the distinctive characteristics of both houses, so important to their loyal fans, would be lost.

It seems certain that Sir Richard's proposals would need the co-operation of Sadler's Wells, which is by no means certain. Ian Albery, the chief executive, may be in no mood to get involved in the politics of other opera houses after steering his own theatre's refurbishment project to near-completion on budget and on time.

The Coliseum must also be worried. It occupies an old building in drastic need of modernisation. It has only its rising reputation, the loyalty of its audience, and the distinctiveness of its opera productions in English, with which to fight its corner. It may lose some

Challenge: Sir Richard Eyre Alpha

of its season to dance but it is hard to envisage Sir Richard casting it into funding darkness.

We have been here before. Fifteen years ago a cost-cutting Conservative government appointed Clive Priestley, an accountant, to examine the Royal Opera House.

The Tories hoped his report would save them money: in the event, he recommended more, not less, subsidy for Covent Garden in return for some organisational savings. But this time, there seems to be a greater acceptance of more radical change. The main paymasters of Covent Garden, Lord Sainsbury and Mrs Vivien Duffield, who have contributed most of the £80m already raised for the £100m rebuilding appeal, have intimated that they will not walk away with their money if well-argued changes are suggested.

Sir Colin Southgate of EMI, the new chairman, has also been putting his business-like stamp on Covent Garden, helped by Gerry Robinson, the new and equally revolutionary chairman of the Arts Council.

If the government has the guts for a fresh approach which creates greater access, more mobility for companies, and some centralised running costs, the moment could not be riper. Sir Richard is likely to propose such organisational changes, but with a price tag.

But despite all his endeavours the government is still likely to go for the easy option: superficial window-dressing at the lowest possible expense.

A sour taste in the ragù

THEATRE

ALASTAIR MACAULAY

Saturday, Sunday . . . and Monday
Chichester Festival Theatre

When English character acting is bad, it is usually for the same reason as when it is good. The English easily learn to act because the English class system trains them to. No sooner does someone open his mouth in the UK than within 10 seconds his audience has formed 10 judgments about him: about his degree of education, the location of his upbringing, and so on . . . but, above all, about his rank within the social hierarchy.

This trains the English to be good mimics. But also to attend too much to the surface of character rather than the core, and, worse, to condescend to characters by putting them firmly in their class-system place.

In the new Chichester staging of Eduardo de Filippo's *Saturday, Sunday . . . and Monday*, this superficiality and condescension combine to trivialise an adorable masterpieces of 20th century theatre.

De Filippo's Neapolitan plays have, before now, brought out the best in English character acting.

Superficial and condescending: David Suchet and cast in 'Saturday, Sunday . . . and Monday' Alastair Muir

(Perhaps they will again. Judi Dench plays his Filumena with the Peter Hall company later this year.) Naples is the true home of *verismo*; de Filippo, writing for more than 50 years in the middle of our century, brought the local genre to a peak of both sentimentality and sentiment.

In *Saturday, Sunday . . . and Monday*, while Donna Rosa Priore prepares the Sunday *ragù*, months and years of domestic misunderstanding, jealousy and vexation between her and her husband Peppino rise to the surface. By the end of Act Three – few plays more perfectly celebrate the now rare three-act format – their marriage is saved; but it has also been located amid an absorbing tapestry of extended family and of neighbourhood friendships.

The family's petulant, pretty daughter Giulietta and her fretful fiancé Federico, her cousin the silly mother's boy Attilio, the maid Virginia's thuggish brother Michele – we have come to know and understand and love these people (and others), just as we have come to smell, and almost to taste, the *ragù* itself.

The Chichester production – newly translated by Jeremy Sams and directed by Jude Kelly – tries to compromise between Naples (where the play is set but something of which must be omitted in translation), and England. Naturally, England wins – the worst of England, alas. Most of the cast go out of their way to locate their characters amid the lower middle class at its brassiest.

The vivid Neapolitan aspiration to elegance and musicality is completely missing. Instead, English vulgarity is flaunted, on several levels. Most of the cast come on doing bright, brittle displays of character-acting at its most doll-like; half of them think that Neapolitan gestures (a) are staccato (b) involve stiff fingers and tense wrists.

Kelly's production is slapdash. It matters less that these "Neapolitans" talk about "Julie-Etta" and *macaroni alla si-silly-ana* than that they have different views on how to pronounce *ragù*. The synchronised eating of the *ragù* is artificial, and the meal that follows has no realism whatsoever.

As Peppino and Rosa, David Suchet and Dearbhla Molloy avoid the garish displays of unstylishness around them. But it is impossible to believe that these are a married couple; or that they are real characters. Suchet keeps giving us Special Moments, all prolonged: a canny ladling of *pianissimo* restraint here, a stiffly measured outpouring of arm-throwing rage there, an unfunny comic hat trick here, a contrived triumphal cry of "Yes!" there.

Molloy, with her cracked, loud, shrew's voice, has no intimacy; and *her* big outburst of temper is mere flamboyance, a series of external Thespian effects only.

Robert Jones's set is excellent. But Matt McKenzie has assembled fatuous taped accompaniments – Mimì's death music from *La Bohème* when the "ill" Rosa is brought in – that trivialise the evening yet further. Fortunately, the play is so well-built and charming that the audience enjoys it no end.

Until June 27.

Sense made of Strauss brew

OPERA

ANDREW CLARK

Die aegyptische Helena
Royal Festival Hall, London

You wouldn't think *Die aegyptische Helena* and *Andrea Chenier* had much in common, but the comparison sprang to mind last weekend at London's Royal Festival Hall. Both operas are pure hokum draped in loud climaxes. Neither is worth wasting good production money on. And *Die aegyptische Helena* has joined *Chenier* as one of the most improbable successes of the Royal Opera's season of concert performances.

Despite the upheaval backstage at Covent Garden, someone is getting the formula right front-of-house: step forward Nicholas Payne, who has demonstrated that you can draw a capacity audience for anything if you present it in the right way. Like the Giordano two months ago, this rare outing for Strauss's final collaboration with Hofmannsthal was well-nigh perfectly cast, and the orchestra and chorus of the Royal Opera House responded in kind.

Those of us who encountered *Die aegyptische Helena* at Garsington last summer were hoodwinked by David Fielding's dazzling chamber-production into believing we were hearing the real thing. Only when confronted by the sheer size of forces on the concert platform – seven horns, four flutes, masses of trumpets, organ, wind-machine and bass clarinet, just for starters – do you realise this is one of Strauss's most inflated scores.

Despatched with cool conviction and a grasp of large-scale structures, such as Christian Thielemann demonstrated, the ends really do justify the means. In his hands, the orgasmic climaxes – often followed by long post-coital diminuendos – generated the kind of visceral excitement only a master-orchestrator like Strauss knew how to engineer. Thielemann was in his element: he imposed strict discipline, he never let the argument get bogged down and he had the knack of drawing the threads seamlessly together at the dramatic peaks.

Excused from trying to make sense of an impossible plot (a brew of Greek mythology and bourgeois domesticity, wrapped in philosophical pretensions), we could gladly concentrate on the singing. The warmth and glitter of Deborah Voigt's soprano turned Helen into a creature worthy of classical antiquity. Voigt really made us believe in the part, floating long, serene lines in the lyrical interludes and investing the duets with majestic radiance.

You can draw a capacity audience for anything if you present it in the right way

John Horton Murray repeated his Menelaus from Garsington – this time with more gentle confidence and patient vision, enabling us to turn a blind eye to Strauss's Action Man characterisation, and to re-assess his much-maligned tenor writing. Lyuba Kazarnovskaya handled Aithra's skittish lines with aplomb, even if she did not quite plumb the manipulative depths of a part that really demands the stage. Alan Titus and Wilhelm Hartmann distinguished themselves as the comic-strip warriors, and Helen Field was the spirited Servant. All in all, a triumph of style over substance.

'Die aegyptische Helena' opens the Royal Opera's season at the Baden-Baden Festspielhaus on June 8. Tel: +49-711-780 4166.

POP ROD STEWART

These days, smooth and easy does it

There is an instant sense of suffocation about the opening track – Oasis's "Cigarettes and Alcohol" – of Rod Stewart's *When We Were the New Boys* (Warner Bros): the 1970s old boy paying tribute to a 1990s band which in turn has plundered the riffs and poses of the 1970s to distraction.

Such giddy self-referential tricks may be commonplace today; but in this case, as in so many, it fails to justify itself. There is a logic in Stewart attempting to return to the swaggering style of his early successes – his entire career has seen a decline in quality since the days with The Faces.

But there is a problem here: perhaps one of image, borne of the lavish sun-and-supermodel lifestyle enjoyed by this rocker in search of his roots; perhaps in the production of the album, supervised by Stewart himself, which is a little too smooth to produce the desired effect of raunchy abandon.

There are bright points: "Ooh La La", all mandolin and penny whistle, is a touching homage to the late Ronnie Lane, who died during the recording of the album; the tasty and too-sparsely used pedal steel playing of ex-Steely Dan guitarist Jeff Baxter.

But ironically it is Stewart's greatest gift, that instantly recognisable voice, which lets him down. One doesn't expect the gruffness of old – indeed, there must be many coaches of vocal technique who will be amazed to hear him still singing at all – but Stewart sounds severely over-stretched here.

The cover of Graham Parker's "Hotel Chambermaid", while expressing suitably priapic sentiments for a middle-ager still looking to strut his stuff, taxes his vocal cords beyond the limit; on the ballads, there is more polish, but the expense of expressiveness.

The overriding sentiment here is encapsulated by the ersatz elegiac tone of the title track; a sprinkling of lazy clichés inhibits the achievement of any real emotional connection. Stewart's friends may indeed be "blown and scattered like autumn leaves", but please don't expect us to care.

Peter Aspden

INTERNATIONAL Arts Guide

AMSTERDAM

EXHIBITION
Rijksmuseum
Tel: 31-20-673 2121
The Secret Unlocked: German Furniture Opened. Nine pieces dating from the end of the 16th to the end of the 18th century, chosen from the museum's collection of cabinets, and opened to reveal secret compartments and hidden drawers. Includes four pieces by cabinetmakers Abraham and David Roentgen; from May 30 to Aug 30

BARCELONA

EXHIBITION
Museu Picasso
Tel: 34-3-319 6310
Egon Schiele: The Leopold Collection. 152 paintings and drawings on loan from the largest private collection of Schiele's work in the world; to May 31

BERLIN

CONCERTS
Konzerthaus
Tel: 49-30-203090
● Berlin Symphony Orchestra: conducted by Wassilij Sinaiskij in works by Stravinsky and Tchaikovsky; Jun 4
● Rundfunk-Sinfonieorchester Berlin: conducted by Alan Gilbert in works by Karmon, Mozart and Copland, with clarinet soloist Sharon Kam; Jun 3

Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Bernard Haitink in works by Schubert and Shostakovich. With soloist Matthias Goerne; May 29, 30, 31

CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
● Chicago Symphony Orchestra: conducted by Daniel Barenboim in Beethoven's Symphonies Nos. 6 and 7; May 29, 30
● Chicago Symphony Orchestra: conducted by Daniel Barenboim in a concert performance of Fidelio. With the Chicago Symphony Chorus; May 31
● Chicago Symphony Orchestra: conducted in works by Beethoven by Daniel Barenboim, who also performs Piano Concertos Nos. 1 and 4. With soprano Jane Eaglen; Jun 4

DUBLIN

EXHIBITION
Irish Museum of Modern Art
Tel: 353-1-612 9900
Brian Cronin: Fat Face With Fork. First exhibition in Ireland of work by the Dublin-born, New York-based illustrator; to Jun 1

FLORENCE

OPERA
Maggio Musicale Fiorentino
Tel: 39-55-211158
www.maggiofiorentino.com
● Le Comte Ory: by Rossini. New production conducted by Roberto Abbado in a staging by Lorenzo Mariani; ETI-Teatro della Pergola; May 30
● Wozzeck: by Berg. New production by William Friedkin, conducted by Zubin Mehta; Teatro Comunale; May 29; Jun 1, 3

GLASGOW

OPERA
Scottish Opera, Theatre Royal
Tel: 44-141-332 9000
The Queen of Spades: by Tchaikovsky. Conducted by Richard Armstrong in a staging by Yannis Kokkos; Jun 3

GLYNDEBOURNE

OPERA
Glyndebourne Festival Opera
Tel: 44-1273-815 000
● Cosi Fan Tutte: by Mozart. New production by Graham Vick, conducted by Andrew Davis. Cast includes Alan Opie and Barbara Frittoli. With the London Philharmonic Orchestra; May 30; Jun 1, 4
● Katya Kabanova: by Janáček. Revival of Nikolaus Lehnhoff's production, conducted by Yakov Kreizberg, with designs by Tobias Hoheisel. Cast includes Amanda Roocroft. With the London Philharmonic Orchestra; May 29, 31; Jun 3

HELSINKI

EXHIBITION
Museum of Foreign Art, Sinebrychoff
www.fng.fi
Gold and Jewellery of Pompeii. 150 items including pendants, rings and bracelets, displayed to mark the 250th anniversary of the beginning of the excavations; to May 31

LAUSANNE

EXHIBITION
Fondation de l'Hermitage
Tel: 41-21-320-5001
Pointillisme: more than 100 works, including loans from Europe and the US, tracing the influence of Seurat on a generation of young painters at the turn of the century; to Jun 1

LONDON

CONCERT
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: André Previn conducts a programme of works by Copland, Previn and Schumann; May 31

EXHIBITION
National Gallery
Tel: 44-171-839 3321
Henry Moore and the National Gallery: celebration of the centenary of Moore's birth, consisting in a selection of his favourites among the gallery's holdings; to May 31

NEW YORK

CONCERTS
Lincoln Center
Tel: 1-212-721 6500
www.lincolncenter.org
New York Philharmonic: world premiere of Del Tredici's The Spider and the Fly, for Vocalists and Orchestra, conducted by Kurt Masur. The programme is completed by works by Copland, Vivaldi, Weber and Ravel; May 30

PARIS

CONCERTS
Salle Pleyel
Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Sylvain Cambreling in works by Boulez and Messiaen. With soprano Françoise Pollet; Jun 3, 4

EXHIBITIONS
Centre Georges Pompidou
Tel: 33-1-4478 1275
www.cnac-gp.fr
Max Ernst (1891-1976): Sculptures, maisons et paysages. 100 sculptures and paintings by the German-born artist; to Aug 17

Grand Palais
Tel: 33-1-4413 1730
Man Ray: major exhibition of works by the photographer, drawing out the contrasts between the different styles and techniques with which he worked; to Jun 29

Musée d'Orsay
Tel: 33-1-4049 4814
www.Musee-Orsay.fr
Exhibition examining the relationship of artists to the revolutionary movement of 1848, and the influence of the Republic upon artistic life between 1848 and 1952; to May 31

SALZBURG

CONCERT
Salzburg Cathedral
Amsterdam Baroque Orchestra: and Choir: conducted by Ton Koopman in a concert which opens a four-day festival of Baroque music; May 29

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in Mahler's Symphony No. 2, Resurrection. With soprano Rebecca Evans, mezzo-soprano Florence Quivar, and the San Francisco Symphony Chorus; May 29, 30

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
Tokyo Metropolitan Symphony Orchestra: conducted by Naohiro Totsuka in works by Beethoven. With piano soloist Hiroko Nakamura; May 30

EXHIBITION
Suntory Art Museum
Highlights of Asian Painting from Cleveland's Museum of Art: selection of 100 works ranging from the 11th-19th centuries and focusing on the figural tradition; to Jun 21

VIENNA

EXHIBITION
Kunstforum der Bank Austria
Tel: 43-1-533 2266
From Monet to Picasso: display of 120 works, starting with French Impressionism and Pointillism, and ranging through the Russian avant-garde and German Modernism to 1945; to Jun 28

TV AND RADIO

● **WORLD SERVICE**
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EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

These little piggies must go to market

The big four banks and their problem loans are constricting China's economy, write **James Harding** and **James Kynge**

In the judgment of one anonymous official in Shanghai, China's troubled banking sector boasts four kinds of problem loans: "No interest payment, no capital repayment, no company and no idea."

He is not joking. After decades of politically minded, commercially negligent lending, the mammoth state-owned banks in China have amassed a mountain of compromised assets – most are non-performing, some are simply not traceable.

Moody's says the biggest four banks – Bank of China, Industrial and Commercial Bank of China, China Construction Bank and Agricultural Bank of China – which employ 1.7m people and together account for more than 80 per cent of the banking business in China, are all technically insolvent. "A large, and growing, portion of their loans is uncollectable," says the ratings agency, and the cost of recapitalisation is near 20 per cent of gross domestic product.

Even Dai Xianglong, China's central bank governor, concedes that the banking sector is shouldering Yn1,490bn ($180bn) worth of problem loans, estimated at 20 per cent of total assets.

These figures add up to a shaky banking sector. The arteries of credit are constricted by banks reluctant to issue new loans for fear of adding to loan books sullied by years of unprofitable lending to state industries.

The lesson of Indonesia will not have been lost on the Chinese leadership. Over the past year, China has seen how quickly a mismanaged financial system can become the undoing of an economy and, in turn, pose a violent threat to a precarious social order.

Wang Xuebing, president of Bank of China, says Beijing has taken on board the need for reform: "The one lesson to draw from the south-east Asian financial crisis is that if you want to have a healthy economy then you have to have a healthy banking sector."

The past few months have seen a spate of initiatives, underscoring the Chinese leadership's new-found resolve to turn around its banking industry.

- The People's Bank of China, the central bank, is being streamlined into a leaner, more independent institution, along the lines of the US Federal Reserve to meet the regulatory and supervisory demands of a market economy.
- The government has announced the issue of Yn270bn worth of special bonds, intended to accelerate the recapitalisation of bad debts in the state banking sector.
- Quotas on lending have been abolished, freeing up the big four banks to lend as much as they judge commercially viable. Reserve requirements have been sharply reduced, bringing China's banks into line with international standards and releasing a little more money for fresh lending or recapitalisation.
- China has pledged to open the market for home ownership, unlocking the market for mortgages and a new tranche of consumer lending business.

These reforms are crucial for modernising the loss-making state enterprises, the most intractable obstacle to China's transition to a market economy. But they come at an awkward time.

Economic growth in the first quarter of 1998 slowed to 7.2 per cent, the worst performance in more than five years. Demand and investment are weak and fresh credit is needed to reflate the economy.

Turning China's state-owned financial institutions into independent commercial banks will require changes to business culture and, in the process, test Beijing's commitment to the principles of the free market.

There are three fundamental challenges. First, size. This, it seems, is the present obsession of western bankers. The same has been true for China, where state institutions have measured success by the size of loan books and number of employees. But now financiers in China, unlike their Wall Street counterparts, are downsizing.

"We have learnt from Thailand that the important thing is quality, efficiency and profitability. It does not matter how big you are," says Mr Wang at the Bank of China. "We tend to have the idea that bigger is better, but size is not the key issue. Quality is."

The second challenge is to admit failure. Bad debts must be exposed in full and institutions may be forced to to foreclose on defaulting borrowers.

In part, this simply means greater transparency. Jiang Jianqing, president of ICBC in Shanghai, says: "The new system for classifying assets should reflect the balance sheets of the banks more correctly. Evaluation of risk should move to a more scientific footing."

The banks, some argue, need to be given a fresh start and their bad debts written off.

But complete forgiveness for decades of imprudent lending might stoke the belief that the state will always bail out mistakes and offer no incentive for bankers to take the rigours of the market seriously. China is more likely to opt for gradual recapitalisation.

The third challenge is political: the leadership often has conflicting priorities and will have to make tough decisions that could have social repercussions. For instance, low pay scales for bankers are likely to drain talent and encourage corruption, but paying them more would contradict the principle of egalitarian wages. In the longer term, if banks are allowed to be tough on failing companies, the leadership will have to stomach the prospect of higher unemployment.

In the meantime, bankers and financial institutions will press for further piecemeal reforms. One step would be a cut in taxes, which are higher than those for most other industries. Another would be to give management a freer rein. As Mao Yingliang, president of the PBOC in Shanghai, explains: "To improve asset quality, the first measure is to improve the internal management inside the commercial banks. We should give them greater independence to decide things for themselves."

In the long run, the structure of the market for financial services will also have to change. Nicholas Lardy, senior fellow of the Brookings Institution, says: "What is missing is competition. This financial system does not have anywhere near the level of competition to enforce the reforms that are planned."

As long as the four big banks have such a large slice of the industry, there will be little internal pressure for reform. China's own quasi-private, independent banks and the tiny community of foreign institutions could spur them to improve their performance.

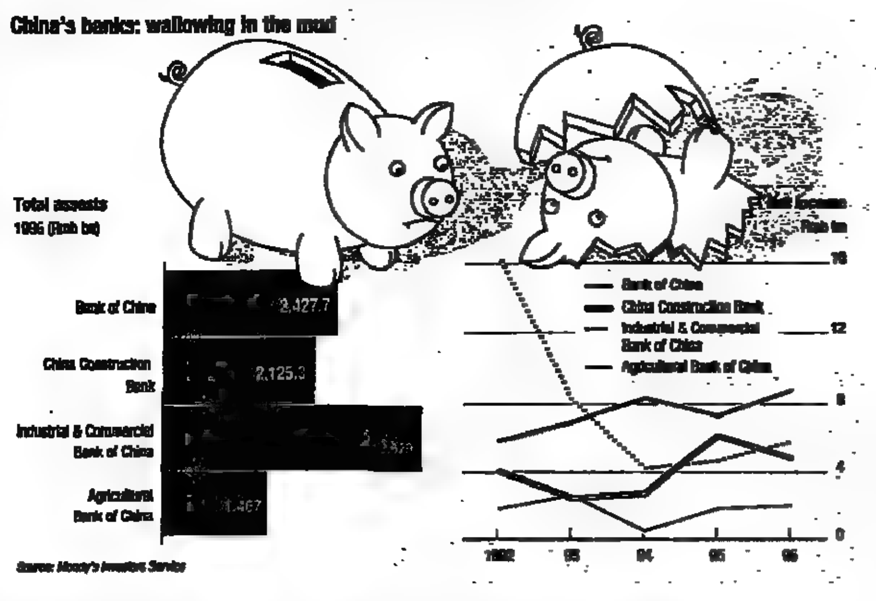
A few years ago, Citibank, one of the nine foreign banks allowed to do local currency business in Shanghai, put an ATM machine on the Bund, the city's historic waterfront. Local banks initially squealed, but quickly followed suit.

Christopher Tibbs, head of corporate finance at Citibank in Shanghai, says: "China has been very good at using foreign banks as a prod for the Chinese banks."

A bigger prod has been Asia's financial crisis. Economic upheaval and social instability has prompted Beijing to address the problems of its banking industry in earnest. If this fresh bout of activism takes root, the region's banking problems will have proved a blessing in disguise for China. If it fails, they can't say they weren't warned.

This is the second in a series on Asia's new pressure points. The first, on Korea, ran on May 27

China's banks: wallowing in the mud



Source: Moody's Investors Service

LETTERS TO THE EDITOR

Free trade expansion must not be at expense of core labour standards

From Mr Bill Jordan.

Sir, Your leader, "Mr Clinton's trade agenda" (May 26), suggests that making global trade policy more open and accountable to "civil society" could hold dangers for the World Trade Organisation because "single issue" pressure groups, including labour activists, with protectionist intent are "bent on thwarting" the central purpose of trade policy.

One of the main problems in trade policy is that for too long it has been seen as the special preserve of the self-described "trade policy community", constituted of civil servants in trade ministries and international organisations, academics, trade lawyers and specialist correspondents of the financial press. Critics who suggest the consequences of liberalisation are not always optimal are dismissed by these high priests as protectionists who do not understand the merits of free trade.

As far as the International Confederation of Free Trade Unions' members in 141 countries are concerned, we regard ourselves as strong supporters of rule-based multilateralism. With the backing of our affiliate in the US, the AFL-CIO, we have sought to develop the disciplines of the WTO to ensure that trade advantage cannot be gained from the gross and persistent abuse of core labour standards. Our approach is based on building on the *acknowledged* competence of the International Labour Organisation and its international standards. Our objective is to ensure the trading system addresses constructively real problems that, if ignored, could fuel a retreat to isolationism and protection.

As President Mandela said last week in Geneva of the apartheid era, "in those 47 years South Africa traded extensively, and provided an object lesson, if such were needed, that trade does not of itself and in itself bring a better world". The ICFTU welcomes the decision of the WTO ministerial to improve the WTO's transparency. Having followed the debates over what is needed to make a new trade round successful and ratifiable by national legislatures, it is clear to me that many governments will take up President Clinton's lead in calling on the WTO *to "do more to harmonise* our goal of increasing trade with our goal of improving the environment and working conditions".

Bill Jordan,
general secretary,
International Confederation of Free Trade Unions
Bd Emile Jacqmain 155,
B-1210 Brussels, Belgium

The best of Bavaria

From Mr Christopher Leefe.

Sir, I have lived in Munich for nearly 12 years, a well-run orderly capital city where it is possible to go to the theatre, have dinner, take the underground and walk home without fear of being mugged and beaten up. I think other more progressive, laisser faire capitals should take notice. Far from knocking Bavaria as Ralph Atkins appears to do ("Bavaria flirts with 'zero tolerance'", May 25), Bavaria should be praised and supported for what it is doing. It's about time London had a little more "zero tolerance" fully implemented.

Christopher Leefe,
Hedwig Strasse 9,
D-80636 Munich,
Germany

Not pressured into action

From Mr W. E. Dumont.

Sir, The article by Leyla Boulton on Canadian forestry (Canada: "Loggers see environmental light", May 28) could do with a bit of illumination. The eco-certification of forest products is a new and emerging element of global forest products marketing.

The concept of independent assessment of a forest company's resource management is, as far as the market is concerned, less than five years old. A number of national and international schemes have been developed in response to the trend.

My company began looking seriously at certification about 18 months ago in response to customer inquiries and our familiarity with the notion. As part of our programme we have completed an assessment of our forest operation's readiness for certification under three separate systems, including the Forest Stewardship Council (FSC).

Our interest in the FSC has not been generated by any Greenpeace actions, nor have we been reluctant to pursue FSC for any reason, including those mentioned in the story. In fact, we are most interested in the FSC process, because we believe the system is credible and adheres to principles consistent with Canadian standards of good forest management.

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Big business logs on

The WorldCom-MCI deal opens the way for a dominant few to make money from superhighway tolls, says **Richard Waters**

A skirmish over the future of the internet between the European Commission and America's pushiest telecoms company seems, on the surface, to have been resolved to everyone's satisfaction.

WorldCom, in order to win approval for its $37bn (£22.1bn) acquisition of MCI Communications, will ask MCI to sell one of the main arteries that carry internet traffic in the US – still the main hub of the global network. That will make Cable & Wireless, its buyer, the first non-US carrier to own a piece of the core infrastructure on which the informal network rests.

Karel Van Miert, the European Union competition commissioner who is not above a little grandstanding on such matters, may now choose to declare victory and move on. His very public wrangling with WorldCom over that company's potential dominance of the internet has had a tangible result, opening a chink in the American control of the system. "Politically, it's an extremely adroit move for MCI to sell to a European carrier," says Greg Staple, president of Telegeography, an industry research firm.

To let matters rest there, though, would leave many of the underlying issues unresolved. WorldCom, with MCI, will still wield considerable power over the internet. And even if that does not amount to a stranglehold, C&W could still find itself relegated to a second tier of internet players, potentially leaving a smaller oligopoly of core carriers with potential – and increasing – pricing power over the network.

The problem for antitrust regulators, whether in Europe or the US, is that the internet is no longer the cosy co-operative it once was, yet still exists outside the jurisdiction of much traditional telecoms regulation.

The handful of carriers whose networks form the core US "backbone" of the system – WorldCom, MCI, Sprint, GTE and PsiNet – once linked their networks with little thought to individual commercial advantage. That has made it easy for a customer entering the superhighway through, say, a Sprint access point to find his way to a web site maintained by MCI. Through the packet-switching technology of the internet, information has flowed back through the least congested channels.

The interconnections between the rival networks that have supported this sort of open interchange are already being subjected to new commercial realities. Unlike Microsoft's dominance of personal computing, no-one owns the standards that underlie the internet. But by limiting access to their networks – and giving preferential treatment to their own customers – telecoms companies have always been in a position to squeeze smaller rivals. Carriers that are not part of the charmed circle of "backbone" companies already complain that their traditional links to the internet have deteriorated.

Fred Briggs, chief engineer at MCI, denies that a pecking order is developing. The talk of a core group of "tier one" carriers "is an artificial distinction that doesn't exist on the internet", he says. Instead, all carriers are able to connect their networks – known as "peering" – on equal terms, provided they meet certain basic systems requirements. "I can't imagine those peering relationships will change," he adds.

That is not the way that smaller carriers – and some regulators – see things. They think of it as a series of airport hubs with a handful of dominant airlines carrying passengers between the main centres and many smaller carriers feeding in their own traffic. By controlling the best landing slots, the big carriers are in a position to squeeze out the small fry.

Owning a large fleet of airplanes is not enough, on its own, to create a new competitor. This is effectively what C&W has achieved with its purchase of the MCI "backbone", according to rival carriers. The agreement will leave MCI with its base of commercial and residential internet customers, and it is these customers – and the traffic they provide – that represent the real strength of its internet business.

"Anyone can build a network, but it doesn't give you the traffic," said GTE, the rival carrier that has been the most vociferous opponent of the WorldCom/MCI merger – no doubt partly because it tried to buy MCI itself.

MCI has sold part of its traffic to C&W – the wholesale side of its operations, represented by the internet service providers who resell capacity on the MCI backbone. It has also guaranteed certain levels of traffic for the new C&W "backbone" for the next two years: replacing that with its own customers' business will be the big challenge, if C&W is not to slip inexorably into the ranks of second-tier carriers.

Ownership of network assets may become even less valuable in future. Two new national fibre optic networks in the US, being built by Qwest and Level 3, will leapfrog existing carriers with massive amounts of new capacity when they are completed. At that point, C&W's place at the top table of backbone providers will become even less assured.

As well as keeping its most valuable customers, meanwhile, MCI will hold on to many of the other things that underpin its internet business, including much of the engineering talent that made it one of the first big internet carriers. Tellingly, Vincent Cerf, head of internet architecture and engineering and a man who is widely seen as a one of the fathers of the internet, will remain at MCI.

And WorldCom, still with the biggest piece of the backbone under its control, will continue in effect to control some of the airport hubs that govern the exchange of traffic on the network. Two of the most important interconnection points in the US – known, quaintly, as Mae West and Mae East – are managed by WorldCom.

The need for interconnections between powerful telecoms networks is nothing new. The difference with the internet, however, is that they are not governed by the sort of heavy regulation that determines the terms on which public carriers traditionally switch traffic.

According to Mr Briggs at MCI, commercial interests, rather than regulators, are perfectly capable of handling these interconnection relationships as the internet develops. "I see no way we could create some sort of oligarchy, or a single supercarrier – there are just going to be too many competitors," he says, pointing to the imminent arrival of the Qwest and Level 3 networks. Until those competitors arrive, though, a merged WorldCom/MCI will clearly remain the biggest fish in the growing internet pond.

FINANCIAL TIMES

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Friday May 29 1998

A test for the nuclear club

The inevitable has happened. After India's nuclear tests barely two weeks ago, Pakistan has responded with five blasts of its own. Honour in the strife-torn sub-continent is even, and the world is, on the face of it, a much more dangerous place.

Some might argue that the situation will now stabilise again, because neither India nor Pakistan is ready to turn its nuclear technology into instant weapons, and neither can readily afford to do so. But such a view would be naively optimistic.

South Asia boasts an explosive mixture of extreme poverty, volatile politics and scientific capability – compounded by one of the most intractable territorial disputes, in Kashmir. The logic of demonstrating nuclear capacity, through testing, leads inexorably to the possession of nuclear weapons. Both countries seem set on an expensive and unaffordable arms race, unless the rest of the world can stop it.

Sanctions alone are not the answer. They are a blunt weapon which has seldom been shown to work. President Clinton unfortunately had no choice but to impose them on Pakistan yesterday, as he did on India earlier. He was bound by US law, passed by Congress in 1994, and he can only lift them with Congressional approval.

In India's case, sanctions will hurt, but may not really damage the country. They may slow its growth rate, and delay important infrastructure projects, but the country will lumber on.

Pakistan is far more fragile. The country depends on loans from the International Monetary Fund and World Bank, which Washington is now committed to oppose. Foreign exchange reserves are barely $1bn, and could be rapidly exhausted as investors take flight. The result would be a bankrupt, unstable, nuclear Pakistan, which is potentially far more threatening than a solvent one.

The outside world needs to focus on two separate security problems in the region. One is the long-running confrontation between India and Pakistan, which has caused three wars since the two countries were divided 50 years ago. Too little international attention has been paid to resolving that dispute in recent years, and a concerted effort is needed to find a lasting peace there.

The nuclear question is another matter. What India and Pakistan have demonstrated this month is that the five nuclear powers cannot hope to keep membership of the club exclusive, while refusing to reduce their own arsenals. As long as China is nuclear, India will not hold back. The only way to persuade outsiders not to join is for the insiders to launch a new comprehensive round of nuclear disarmament. That would be the best possible outcome from this latest dangerous turn.

Pork barrel bill

The US transportation bill, which is due to be signed into law by President Bill Clinton any moment now, is the most startling example of pork barrel politics Washington has seen for years. It demonstrates both the political weakness of the president – who at one stage seemed ready to veto the proposals – and the cynical manoeuvrings of Republican leaders, who still like to claim they are against big government. It also shows the political pressures that are building up to dissipate America's increasing fiscal surplus.

Roads and politics go together, but the deal now agreed in this election year is something special. Congress last week overwhelmingly approved the grandly named Transportation Efficiency Act for the Twenty First Century, which will push Federal transportation spending up by two-fifths over the next six years. The grand total for that period comes out at over $200bn, and there is something in it for just about every congressional district.

It includes the biggest investment in the Interstate Highway System since the 1950s. Its champions crow that it will create 400,000 new jobs, just what is not required at this stage of the economic cycle. What is more, the legislation guarantees that revenue collected from the federal gas tax will in future be spent only on transportation, rather than any more worthwhile purpose.

Some Senate leaders had at one stage talked disapprovingly about the scale of the original bill passed in the House. But in the last few days of discussions they added a slew of proposals of their own, producing a total of $9.3bn for more than 1,400 projects selected by members of Congress for their own districts.

In order to meet the limits set by last year's budget agreement, Congress has come up with offsetting spending cuts that appear either dubious or inappropriate. They are made up mainly of reduced health benefits for veterans with tobacco related ailments and a cut in benefits for low income families.

It is especially noticeable that the legislation has been driven through by Republican leaders in both the House and the Senate, with few dissenting voices. This shows the extent to which the congressional wing of the party has lost its reforming soul and helps to explain its inability to lay a finger on the president in his current troubles.

Mr Clinton himself must have been tempted to turn the world upside down by attacking his opponents as the champions of big spending. But he presumably felt that this was not the time to alienate Democrats on the hill once again. It is easy to see why politicians are not held in high regard in the US today.

HK slowdown

Hong Kong, with its seemingly invulnerable exchange rate peg, has been seen as Asia's "safe haven". But that image is being challenged. Gross domestic product figures, due today, are expected to show a fall in output in the first quarter of this year, signalling the first recession since 1985.

There were good reasons to think that Hong Kong would be insulated from the Asian crisis. It is primarily a service economy, leaving it relatively insensitive to changes in the real exchange rate. And it concentrates on servicing the Chinese economy, which should still grow by around 7 per cent this year.

But it could not escape some fallout. The main impact has come through higher interest rates, which led to large falls in the asset markets – property prices have fallen 30-40 per cent since their peak last October. Retail sales have slumped, as has tourism, falling by 25 per cent year-on-year as Asian tourists stayed at home.

The key concern is how far house prices can fall. With Hong Kong's banks heavily exposed to the property market, a collapse in prices could threaten the stability of the financial system, a pillar of the economy.

So far there is no reason for panic. Most of the fall in property prices is the correction of a bubble. Prices had risen by more than 40 per cent between the third quarter of 1996 and their peak in 1997, causing serious concerns about Hong Kong's competitiveness. An adjustment had to come at some point. Moreover, the limits on mortgage lending in Hong Kong are very strict, giving the financial system some protection.

The government must tread a fine line. It must prevent the slump from getting too deep but should not overreact and resort to crude interventionism.

Its reaction has so far been sensible. It has been robust in its defence of the currency link. And it is providing the economy with a fiscal stimulus through a combination of tax cuts and infrastructure projects.

Housing policy is crucial. Hong Kong's new government last year announced a programme of accelerated land release and home-building. But implementing this now could send prices into free-fall. Hong Kong's chief executive, C.H. Tung, gave a welcome indication in a speech this week that he was prepared to relax the policy.

Most important, Hong Kong must avoid panic measures. Trying to hold interest rates down artificially or pumping money into unnecessary infrastructure will only worry the markets and lead to inefficiencies. C.H. Tung must grit his teeth and wait for Hong Kong's famed flexibility to pull it out of this slowdown.

Chill winds from the east

The Asian crisis has unnerved investors in Russia, threatening its financial stability, says **Chrystia Freeland**

The darkest fears of Russia's rulers came true this week, as the modern equivalent of the Tartare hordes swept through from the east in the form of a financial hurricane which threatened to devastate a painstakingly constructed market economy.

Panicked investors have been fleeing, pushing share prices down nearly 40 per cent since the beginning of the month and more than halving their value since the start of the year. The bond market has been even harder hit, with buyers demanding yields of more than 80 per cent this week. Enfeebled by fears of a forced devaluation, the rouble wobbled outside the daily target rates set by the central bank.

The exodus has forced the authorities to take desperate measures, tripling interest rates to 150 per cent, their highest level since 1996. This step, combined with Kremlin pledges of tough economic action, brought a respite yesterday, as equity prices eased and the rouble strengthened against the dollar.

But one more jolt could push the rouble, and the hard-won financial stabilisation it represents, into free-fall. The astronomically high rates are not sustainable over the medium term but a worse scenario would see the rouble crashing. The immaturity of Russia's market economy means the danger is particularly acute because a plunging rouble could take the rest of the financial system with it, pushing leading banks into default, killing tentative public trust in the national currency and triggering a new burst of high inflation.

"The stakes for the rouble are far higher than in a normal economy," argues Christopher Granville, strategist at Flemings UCB, a Moscow-based investment bank. "The nominal peg of the rouble to the dollar is the key to financial stabilisation. If you lose financial stabilisation, you can only speculate on what the social and political effects would be."

With Russia's financial stabilisation – the biggest accomplishment of seven lean years of market reform – in jeopardy, foreign and Russian bankers are calling for the International Monetary Fund and the Group of Seven leading industrial nations to ride to the rescue. Fifteen brokerage houses sent a letter to Sergei Kiriyenko, the prime minister, urging him to ask for an emergency western stabilisation fund.

"Most people in the market are expecting an international package," says Peter Boone, joint head of research at Brunswick Warburg, a Moscow brokerage. "I think the situation will be very difficult unless there is substantial financing from the international community. What we are observing is a classic case of panic."

Russia's bad case of the nerves had several triggers. Two of the most serious are external: the Asian crisis and falling world commodities prices, particularly oil. The most severe consequence for Russia of the Asian turmoil has been to sour investor sentiment, which just a year ago was exuberant about almost all of the world's emerging markets. Investors' new-found pessimism has mounted slowly but has brought a series of economic jolts culminating in this week's instability.

Oil prices, meanwhile, have fallen from a high of $25 a barrel in January last year to about $14 a barrel for the North Sea's Brent blend. Urals crude, Russia's main export, has been trading at a discount of about $1.30 to Brent. These lows have dealt a double blow to Russia's delicate market economy, both by weakening the oil companies that are the flagships of the private sector and by lowering the tax receipts of the already cash-strapped treasury.

The two foreign shocks have been compounded by domestic woes. Chief among these are the country's troubled public finances. Feeble tax collection and the government's uncertain control over state spending have long been at the top of the IMF's agenda. Turned sceptical by the Asian crisis, investors have become increasingly conscious of Russia's fiscal problems.

And as investor worries have grown, they have become a self-fulfilling prophecy. Public borrowing costs have increased as investors have demanded sky-high interest rates on treasury bills and forced the central bank to dip into its meagre reserves – $14.5bn, of which about $5bn is in the illiquid form of gold – to defend the rouble.

Over the past few weeks, there have also been several smaller local shocks. These included the approval of a law restricting foreign ownership in Unified Energy Systems, the national power company. And there was a surprisingly vocal miners' protest earlier this month, which ended only when the government found spare cash to pay back wages.

The event that may have been the immediate catalyst for this week's sell-off was the state's failure to find a buyer for Rosneft, the largest Russian oil company still to be privatised. The buyers' strike exacerbated concerns about Russia's fiscal situation, by depriving the treasury of the expected $2.1bn sale price, and bruised the political authority of Mr Kiriyenko's new cabinet.

This troubling set of factors has been enough to unleash a raging bear trend. Even so, many veteran Russian-watchers argue

'I think the situation will be very difficult unless there is substantial financing from abroad'

the market is wrong. Driven by panic and false parallels with the Asian situation, investors, they believe, have overlooked some of the real progress Russia has made in the past few months.

The country's recent achievements include progress in containing the budget deficit, which was 4.6 per cent of gross domestic product in the first quarter of this year, down from 9.0 per cent of GDP in the first quarter of last year. Cash tax collection has also edged up, with the federal government collecting 8.8 per cent of GDP in taxes in the first quarter of this year, from 8.5 per cent in the first quarter of last year, according to Russian Economic Trends, the Moscow think-tank.

"The underlying situation does not warrant a crisis," argues Richard Layard, a professor at the London School of Economics and a former adviser to the Russian government. "The tax collection has been better than last year, the expenditure is more under control than a year ago and we have a better government than we did last year. People are running only because they expect others to do the same."

But other observers are less sanguine. They believe that, far from prompting an unjustified panic, the Asian contagion has allowed investors to see the real problems of Russia's economy.

The biggest is that Russia's capitalist revolution is incomplete: small business is still stifled by crime and red tape; large, inefficient enterprises continue to operate because bankruptcy rules are not enforced; vigorous economic growth, already well established in much of eastern Europe, has hardly begun.

John-Paul Smith, Russian equity strategist at Morgan Stanley, said: "The real reason for the problems is that most people thought the Russian economy had stabilised, and that it was a question of waiting for economic growth to kick in. Unfortunately, the stabilisation process is only two-thirds complete."

He argues the government and companies have borrowed heavily to compensate for unfinished structural reforms, creating an "unsustainable" build-up of debt. Investors, he believes, have drawn the same conclusion, and that is why they are demanding such high returns for holding Russian paper.

The debt numbers are not reassuring. The Russian government owes about $140bn of hard currency debt, and $60bn of domestically traded rouble debt, says Russian Economic Trends. The rouble loans are mostly short-term and the government will need to pay back between $1bn and $1.5bn each week in June. With reserves at $14.5bn, and interest rates for government debt at more than 70 per cent, the situation is precarious.

Yet one point of agreement is that, as the crisis has mounted, the government has moved in the right direction. On Tuesday Boris Yeltsin, the president, signed a decree slashing expenditures by $6.7bn; on Wednesday the central bank had the nerve to raise interest rates to 150 per cent; and yesterday the Kremlin announced draconian new measures to boost tax collection.

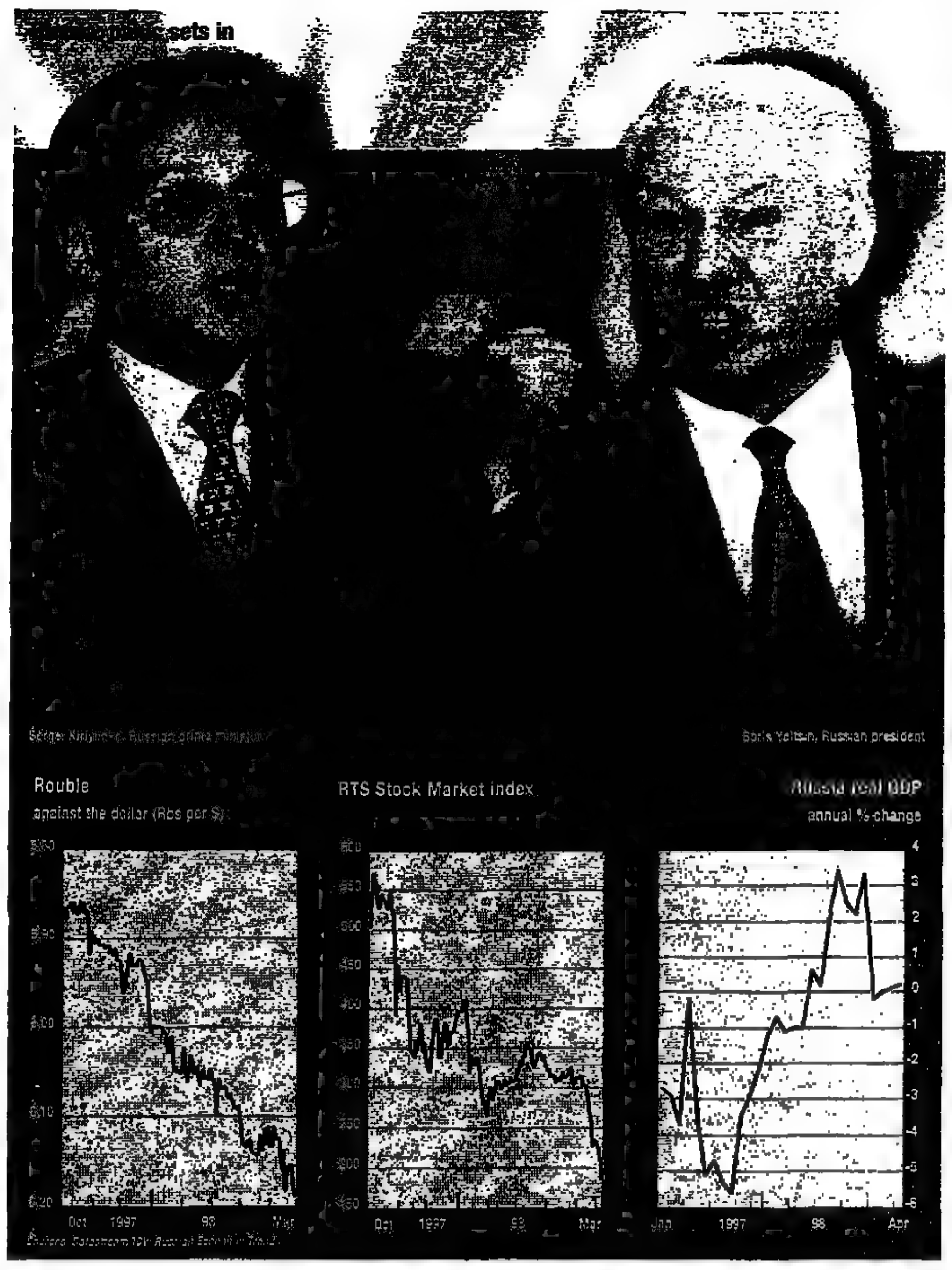
These steps, together with Mr Yeltsin's public show of support for his new government, calmed markets yesterday, with the rouble performing solidly against the dollar, share prices recovering most of Wednesday's losses, and the central bank feeling strong enough to sell roubles and boost its reserves with $500m in hard currency.

But, as even Sergei Aleksashenko, deputy governor of the central bank, admitted on Russian television yesterday, it is too early to say for certain this week's crisis is over. Moreover, Russia has suffered two similar, if milder, shocks over the past seven months. With interest rates dizzyingly high and the central bank's reserves low, many observers fear that in the next few weeks another, deeper crisis will rock the rouble.

Such concerns are prompting Russian officials to try to cobble together a stabilisation fund, drawing on international financial institutions and commercial creditors. Many western observers are also calling on the G7 to lend support to the effort, warning that, otherwise, Russia's reforms and their architects may be lost. Devaluation of the rouble could bankrupt Russia's financial sector, destroy public confidence in the national currency, provoke a new wage of inflation and bring down the new government.

"I think there is a very, very strong case for sufficient support from the G7 countries to enable the central bank to see off the speculators," Prof Layard argues. "In Asia, the crisis led to the replacement of bad governments with better ones. In Russia, the crisis would lead to the replacement of a good government with a worse one."

If the Russian financial crisis does not abate, it is almost certain that help from the west will be forthcoming. Russia, and its market revolution, are too big to fail. This week's turmoil will have nevertheless have one unfortunate consequence. High interest rates are likely to scare off the robust growth the Kremlin promised would at last appear this year. As usual, ordinary Russians are left waiting for the capitalist prosperity that is always just over the horizon.



OBSERVER

Heavy-hitters in a huddle

As American football digests the news that Ted Turner and Jack Welch are strapping on shoulder-pads to take on the National Football League, it's worth remembering that history is not on the side of the media linebackers.

The quixotic United States Football League, backed by the ABC TV network and ESPN sports channel, had enough cheerleaders to fill a stadium when it came jogging onto the scene in the mid-1980s. But the venture was back in the dressing room after only four years after seeking $1.7bn damages from the NFL in an anti-trust suit. The jury found that the NFL had wilfully monopolised professional American football – but awarded damages of only $1. Raised to $3 on appeal.

It'll be interesting to see if Welch and Turner instead adopt the muscle-bound tactics of old adversary Rupert Murdoch: he signed-up virtually every Rugby League player in sight when his network was unhappy with the deal it was offered for televising that sport. General Electric and Time-Warner have deep enough pockets to do the same in American football. Could mean a whole new ball-game.

What a picture

It wasn't the merger with Chrysler that raised the biggest cheer at the annual gathering of Daimler-Benz's well-heeled shareholders. The rattle of Rolexes was deafening as crowd-pleasing boss Jürgen Schrempp announced that his predecessor, Edzard Reuter, was finally being banished from Stuttgart headquarters.

Despite stepping down as chairman more than two years ago, the man who took the company on the buying-spree which led to the biggest loss in its history has kept an office at HQ. But Schrempp told an appreciative crowd that the patrician Reuter is being relieved of his rooms on June 22. Company officials confide that he won't be taking his beloved collection of post-war German art – one of his better investments while in the Daimler driving seat.

Jakarta jam

There's a new government in office, reform is in the air and Indonesia's privatisation programme is chugging back into life. To kick-start the ambitious programme – which could turn into Asia's biggest bazaar – two dozen buttoned-down investment bankers are preparing to parade their wares in front of government officials.

The beauty-parade was originally scheduled for mid-May but had to be postponed. The besuited bankers jetted into Jakarta on May 14, at the peak of violent rioting that led to the resignation of President Suharto. They promptly jetted out again without getting much beyond passport control.

The re-scheduled exhibition of investment banking talent should go more smoothly. The new government of Yusuf Habibie is resolute in its determination to proceed with the privatisation programme and restore international investor confidence. So resolute, in fact, that they've chosen a venue where everyone will feel secure: the meeting will be held in Singapore, say Indonesian officials, because "most bankers are too scared of the idea of travelling to Jakarta".

Not that the change of venue has inspired much confidence in Indonesian financial circles. "How will we get them to invest," asked one broker yesterday, "if we can't even get them to come here?" One step at a time, one step at a time.

Loose change

It's the eighth anniversary this week of the last elections to be held in Burma, but there's not much birthday cheer. The results were never recognised by the country's military junta and, according to a new study, 78 of the 485 MPs elected in 1990 have since spent time behind bars. All belong to the opposition National League for Democracy.

Forty-two NLD MPs remain in prison, many on charges of high treason related to their attempts to assert their parliamentary status. Twenty more are in exile. An additional 112, or nearly one-third of the NLD contingent, have either resigned from the non-existent parliament or been disqualified. Threats used to intimidate include denying education, medical and travel services to MPs and their families, revoking operating licences for doctors and lawyers and eviction or confiscation from privately-held land.

One of the most egregious cases involves Tin Min Htut. Unable to pin anything on the NLD MP, the authorities searched his house and found his toddler son playing with two Singaporean coins and an old tin cup.

The result? A three-year sentence for illegal possession of foreign currency.

Broth brothers

Times are hard, but you can always rely on Singapore's entrepreneurs to cook-up something new. The House of Zen restaurant is doing a hot trade in its IMF (Improve Mental Fatigue) soup – a duck ginseng consommé concocted by Chinese herbalists to help relieve stress, hypertension, overwork and exhaustion.

While the duck is jolly tasty, the magic ingredients are locked in a paper sack which floats around the bowl of light brown broth. The concoction includes everything from black peas, which calm the heart and reduce nervous tension, to milkvetch root, which is reputed to build stamina.

At S$28 for a four-person serving, it's one of the cheaper bail-out packages on offer in the cash-strapped region.

The Financial Times

50 years ago

The South African Election

The City of London was rudely shaken yesterday by the defeat of General Smuts in the South African elections and the acquisition of power, though with a small majority, of Dr. Malan's National Party and its associates. Immediate London reactions to the news were understandably pessimistic. A reduced majority for the United Party had been forecast, but not even the Nationalists themselves, probably, expected so violent a swing of the election pendulum. The electorate's emotional desire for a change in Government probably decided the issue, aided by the regrettable efficacy of the Nationalists' "colour" propaganda.

Fiat Deal With Poland

Milan, May 28. It is reported here that the Fiat Motor Company of Turin has reached an agreement with the Polish Government whereby the company is to build an extensive plant in Poland for the production of Fiat cars. In addition, the Polish Government is to buy 1,800 cars, 3,050 4-ton trucks and 180 buses and 50 trailers. All these vehicles will be provided by the Turin factory.

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FINANCIAL TIMES

FRIDAY MAY 29 1998

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THE LEX COLUMN

Cable & Web

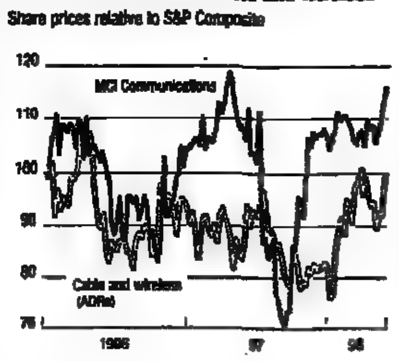
Cable and Wireless is getting wired. The UK telecommunications group has popped out of nowhere to buy itself a leading position in servicing the internet – and yet another new strategy.

The $635m price tag for MCI's internet backbone business, which pipes vast amounts of data through a fibre optic network, certainly looks compelling. C&W is paying 2.8 times current year revenues, or four times historic revenues, for a business that is profitable, growing at 50 per cent a year and cash-generative enough to fund its own investment needs.

By contrast, MFS, now part of WorldCom, paid 12 times sales for its internet business, UUNet. Clearly, WorldCom and MCI were desperate to sell to win approval for their $37bn merger, which should now follow.

Strategically, this is a further attempt by C&W to reduce dependence on its expiring monopoly in Hong Kong. Having "dug deeper" in the UK and Australia and invested in mobile phones around the world, chief executive Dick Brown now argues that a strong foothold in internet traffic, and the US, is the secret to winning lucrative multinational customers. That sounds promising. But MCI will continue to service its big business customers directly, while start-ups like Qwest are already building faster, cheaper backbones. The suspicion remains that WorldCom/MCI were so willing to sell out cheaply to C&W because they do not see it as much of a threat.

MCI Communications/ Cable and Wireless
Share prices relative to S&P Composite



Source: Datastream/ICV

US executive pay

Successful managers deserve to be well paid. And paying them largely in stock properly aligns their interests with those of shareholders. But some recent US awards have lost touch with reality. Last week Charles Wang, chairman of US software group Computer Associates, collected $670m worth of shares under a 1995 option plan. Two of his colleagues received $450m.

There are three possible justifications for such bumper bonuses: to motivate an executive for the future, to reward him for the past or to stop him leaving. As for motivation, Mr Wang scarcely needs further encouragement: he already owns $1.5bn of CA stock.

Perhaps, then, this is an exceptional reward for an exceptional performance? But while CA's long-term record is excellent, its shareholder return since 1995 has been beaten by one-third of the S&P 500. And as the option scheme contained no relative performance hurdles – a lacuna which is all too common in the US – Mr Wang is simply cashing in on the bull market.

Paying managers so well they cannot leave makes sense if they are essential to the business. And in the US, at least, where entrepreneurs can occasionally make billions, the price of retaining talent can be high. But Mr Wang has already received his pay-off for taking CA through the risky entrepreneurial phase. And, for lower-risk established companies, the rewards need not be so high.

Kirch/Bertelsmann

Any tears shed at Bertelsmann over the collapse of its proposed digital pay-television venture with Kirch were probably crocodile ones. The two companies have been foes more often than allies. A weakened Kirch is no bad thing for Bertelsmann. The European Commission's veto of the Kirch/Bertelsmann venture will hit Kirch disproportionately hard. That could undermine its negotiating clout when it comes to selling the next round of pay-TV rights. This benefits Bertelsmann because the only pay-TV show in town will now be Premiere, in which it has a stake.

Of course, Kirch also has a stake in Premiere and a right of veto which could make life difficult for Bertelsmann. But Kirch will not want to hurt Premiere too much. It will need Premiere as an outlet for its pay-TV rights more than ever.

Bertelsmann would never confess to such Machiavellian thoughts. It says it vetoed the compromise suggested by the European Commission because what was asked – effectively unbundling the Premiere programmes – jeopardised the venture's commercial case. There may be some truth in that. But unbundling will probably happen anyway. It is hard to escape the conclusion that Bertelsmann simply did not like the look of this deal. Whichever way one looks at it, the partners need to work out a new modus vivendi. And, given the fluid situation, Britain's BSkyB might even be invited back to join the party.

Canada

Canada's reputation as a reputable financial marketplace is in serious need of repair. The scandal surrounding YBM Magnex, a Toronto-listed company that may have been used as a conduit to launder Russian crime money, comes less than a year after the Bre-X Minerals fraud.

A first, basic remedy would be to tighten the listing requirements for new companies, not only for the main Toronto Stock Exchange, but also at the smaller regional exchanges. Both Bre-X and YBM started life in Alberta, which appears to have taken on the "Wild West" reputation that made Vancouver infamous in the 1980s. Since YBM already had an Alberta listing and a nicely rising share price, it had no problems moving up to Toronto and eventually joining its prestigious TSE 300 blue-chip index – even though the UK police had investigated the company as early as 1995 and its auditors had forced it to restate its 1996 accounts.

Regulators should also make investors fully aware of the links between companies and stockbrokers. First Marathon, a Toronto stockbroker which heavily promoted YBM, owns shares in the group and one of its vice presidents sits on YBM's board.

Perhaps the best way to increase investor protection would be to create a national securities regulator to replace the current provincial system. Canada is the only large industrialised country without one.

Northern Ireland pullback on arms decommissioning

By Liam Halligan and Jimmy Burns in London and Tracy Corrigan in New York

Backers of the peace agreement in Northern Ireland have signalled a significant change in approach to the thorny issue of decommissioning of terrorists' weapons.

The aim appears to be to secure an early declaration from Sinn Féin's leadership that it has permanently renounced violence, rather than to press for actual decommissioning.

Some of the British government's most senior security officials believe forcing a weapons hand-over now would be counter-productive in security and political terms, probably leading to the strengthening of dissident groups committed to terrorism and weakening the republican movement's majority support for the peace process.

David Trimble, Ulster Unionist leader, yesterday insisted he was seeking an unambiguous statement on the ceasefire from the IRA.

"We want Sinn Féin/IRA to declare the terrorist campaign is over and there will no future resort to violence by any element of the organisation," he said.

The FT has learned that draft UK legislation enacting the Northern Ireland Assembly will not make decommissioning a pre-condition of Sinn Féin representatives taking their assembly seats, if elected when voters go to the polls on June 25.

The UK government has indicated that a declaration of permanent peace from paramilitaries might currently be more important than decommissioning of arms. "Less crucial than ownership is the question of whether arms are actually used," said a senior UK minister.

Police in Northern Ireland and the Republic of Ireland regard as containable the threat of violence by terrorist groups opposed to the IRA ceasefire.

Martin McGuinness, Sinn Féin's chief negotiator, said his party was not going to fall into the "trap" of those trying to make decommissioning the most important issue of the political agenda.

"What we have to recognise is that there are people trying to create difficulties and impose new obstacles," said Mr McGuinness, after meeting Mo Mowlam, the UK Northern Ireland secretary. Ms Mowlam sees the Good Friday peace settlement as a package and is against a "war of words" developing over one issue.

The UK government is preparing to announce on Tuesday the composition of the commission to consider police reform in Northern Ireland.

The commission, led by Chris Patten, former UK governor of Hong Kong, was given strong endorsement yesterday by Ronnie Flanagan, head of the Royal Ulster Constabulary.

"I have every confidence the Commission will be comprised of right-thinking people ... who will reach a balanced conclusion of what needs to be done to restore public confidence in our police force," he said.

The commission is important to the Republican movement as many Catholics view the Protestant-dominated RUC as an oppressive organisation.

Adams in US, Page 6

Japan's banks raising lending rates despite fall in production

By Gillian Tett and Bethan Hutton in Tokyo

Japanese banks are quietly raising the interest rate which they charge on corporate loans in a bid to boost their depressed profits.

Banking officials have indicated that the increases range between 30 and 80 basis points – 0.3 to 0.8 percentage points – or even more for loans to weaker clients.

The increases will add to already substantial financial pressures on Japanese manufacturers. They also could act as a further drag on the economy and undermine the Bank of Japan's intent to maintain a relaxed monetary policy.

The official discount rate is at a record low 0.5 per cent.

Jesper Koll, economist at JP Morgan, said yesterday: "This shows that monetary conditions in the real economy are actually tightening in spite of stable policy rates and falling bond yields."

Economic statistics published yesterday showed industrial production falling and inventories, particularly of capital goods, rising – indicating that the credit squeeze could already be hitting corporate investment.

Nevertheless, banking officials and bureaucrats argue that higher loan rates are essential to make the banks more profitable.

The disclosure of worse-than-expected financial results by leading banks last week has put them under mounting pressure to improve their business performance. Lending margins in Japan are much lower than in the US or Europe.

Sei Nakai, deputy director of the Ministry of Finance's banking bureau, said yesterday: "It is very natural that the banks are requiring a risk premium that is higher than before. Without this they cannot raise their return on equity."

A Sanwa Bank spokesman said: "It is true that we are increasing the spread to borrowers, but we are raising it to the appropriate level for the loan risk."

Movements in private banking lending rates are difficult to track because official data is out of date and individual banks are increasingly reluctant to reveal their rates. Commercial bank officials have indicated they expect to raise rates by about 50 basis points in coming months. This would leave them charging an average 75 basis points above the Tokyo interbank rate for top corporate clients and about 1 per cent for weaker ones. Some commercial banks have already raised rates 30 basis points or more.

Industrial production fell 1.1 per cent (seasonally adjusted) in April from the previous month. Production of capital goods fell faster than consumer goods, reflecting lower capital expenditure, possibly due to higher borrowing costs.

Despite falling production the inventory index, the ratio of inventories to shipments, reached 108.9, the highest level for over two decades.

There is, however, no sign of an improvement in consumer spending to absorb stockpiles and prompt increased production. Retail sales figures showed a year-on-year fall of 0.5 per cent in April, even though sales fell dramatically in April 1997 after a sales tax increase.

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Indonesian president B. J. Habibie (right) meets parliamentary speaker Harmoko in Jakarta. Mr Habibie promised electoral reforms and a special session of the People's Consultative Assembly. Page 6

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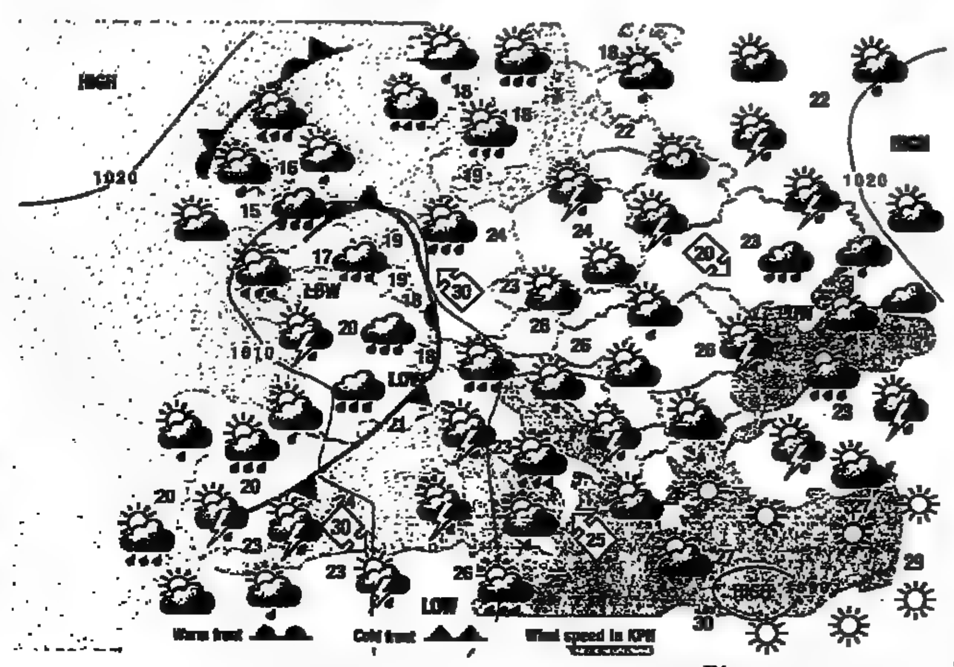
FT WEATHER GUIDE

Europe today

Most of Scandinavia will be cool and unsettled with showers. Italy, France, the western Alps, the Low Countries and western Germany will be unsettled, with some thundery rain bringing the risk of flooding. From the Balkans northwards to Poland and eastern Germany, there will be sunshine, isolated showers and thunderstorms. The far north-east of Europe will be wet. Most of Greece will be hot and sunny. Portugal, Spain and Italy will have scattered thundery showers.

Five-day forecast

Central Europe and the Iberian peninsula will have more thundery showers. There will also be thunderstorms across south-east Europe, but the east and the Baltic states will stay fine. Southern Scandinavia will become wet, with the north staying showery.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	39
Accra	Thunder	31
Algiers	Fair	23
Amsterdam	Rain	19
Athens	Sun	26
Atlanta	Fair	33
B. Aires	Fair	15
B.ham	Rain	15
Bangkok	Thunder	35
Barcelona	Shower	22
Beijing	Fair	28
Belfast	Shower	16
Belgrade	Fair	28
Berlin	Fair	24
Bermuda	Rain	26
Bogota	Thunder	20
Bombay	Sun	34
Brussels	Rain	19
Budapest	Fair	28
C.hagen	Fair	19
Cairo	Sun	33
Caracas	Thunder	32
Cardiff	Shower	18
Casablanca	Fair	21
Chicago	Thunder	32
Cologne	Shower	30
Dakar	Fair	25
Dallas	Fair	35
Delhi	Sun	41
Dubai	Sun	40
Dublin	Shower	15
Dubrovnik	Shower	24
Edinburgh	Shower	15
Faro	Fair	22
Frankfurt	Rain	21
Geneva	Thunder	18
Gibraltar	Shower	24
Glasgow	Shower	18
Hamburg	Fair	21
Helsinki	Shower	18
Hong Kong	Fair	30
Honolulu	Fair	31
Istanbul	Fair	24
Jakarta	Thunder	34
Jersey	Shower	16
Johannesburg	Fair	20
Karachi	Sun	39
Kuwait	Sun	41
L. Angeles	Fair	20
Las Palmas	Fair	24
Lima	Fair	23
Lisbon	Shower	20
London	Rain	17
Lux.bourg	Rain	18
Lyon	Thunder	18
Madeira	Fair	22
Madrid	Shower	20
Majorca	Shower	24
Malta	Shower	25
Manchester	Thunder	15
Manila	Thunder	33
Melbourne	Sun	21
Mexico City	Sun	35
Miami	Thunder	32
Milan	Rain	22
Montreal	Rain	25
Moscow	Thunder	22
Munich	Fair	23
Nairobi	Fair	26
Naples	Shower	25
Nassau	Shower	32
New York	Fair	28
Nice	Shower	21
Nicosia	Sun	27
Oslo	Shower	18
Paris	Thunder	20
[illegible]	Shower	19
Prague	Fair	23
Rangoon	Thunder	34
Reykjavik	Fair	12
Rio	Fair	27
Rome	Thunder	23
S. Frsco	Shower	18
Seoul	Fair	24
Singapore	Thunder	32
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ARRANGER OF DEBT IN EMERGING MARKETS

August 1997 – JOINT ARRANGER – Dimension Data Holdings Limited, South Africa – US$ 182,500,000 – Guarantee Facility
August 1997 – ARRANGER – Bank MENATEP – US$ 80,000,000 – Transferable Term Loan Facility
September 1997 – SOLE ARRANGER – US$ 31,000,000 – Gold denominated Project Loan for the San Gregorio Gold Mine in Uruguay
October 1997 – SOLE ARRANGER – US$ 75,000,000 – Limited Recourse Cotton Pre-Export Finance Facility for Uzbekistan
November 1997 – SOLE ARRANGER – MAKEDONIJA TABAK EXPORT-IMPORT A.D. SKOPJE – DEM 20,000,000 – Pre-Export Finance of Tobacco
December 1997 – SOLE ARRANGER – SOLO INDUSTRIES LTD. – US$ 20,000,000 – Prepayment Facility of Tin Exports from India
December 1997 – CO-ARRANGER – Sappi Limited, South Africa – NLG 766,000,000 – Guarantee Facility
January 1998 – SOLE ARRANGER – ROSSIYSKIY KREDIT BANK – US$ 21,000,000 – Short Term Syndicated Trade Finance Facility
March 1998 – SOLE ARRANGER – SeverStal – US$ 30,000,000 – Russian Steel Pre-Export Finance Facility
March 1998 – JOINT ARRANGER – Zimbabwe Tobacco – US$ 90,000,000 – Pre & Post Shipment Facility – arranged with Stanbic Bank Zimbabwe Limited
April 1998 – JOINT ARRANGER – BANK EKSPRES – US$ 27,000,000 – Syndicated Trade Finance Facility
April 1998 – SOLE ARRANGER – SGL Satellite Goldfields Limited – US$ 27,500,000 – Gold Denominated Loan to develop Wassa Gold Project, Ghana. Sponsored by Glencar Mining plc

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INSIDE

Kirch speculation rekindled

The European Commission's decision to block the proposed digital pay-TV joint venture between Leo Kirch, the German media mogul, and Bertelsmann, the German media group, has reawakened speculation about the financial health of the former's privately held empire. However, assessing the real impact on Kirch is difficult. The company is notoriously secretive and rarely releases any financial information. Page 18

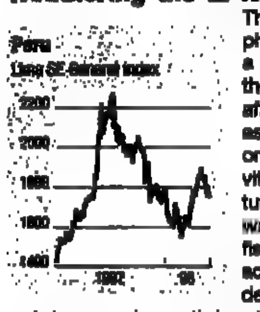
Trouble in toyland for market leader

There's trouble in toyland, and Toys R US, the world's biggest toy retailer, is in the thick of it. In the US, Wal-Mart Stores and the other big discount store chains have swept into the toy market, selling the best-selling toys at rock-bottom prices and grabbing market share at Toys R Us's expense. Now, the company is searching for a new formula to bring the customers back into the stores and restore profitable growth. Page 17

Trepca complex shrouded in secrecy

The true state of the Trepca smelting complex and its five lead-zinc mines in Kosovo is shrouded in secrecy as thick as the smog surrounding it. Trepca is one of the "jewels in the crown" of Serbia's stalled privatisation programme. But a few miles away separatist Albanian rebels are battling with Serbian security forces. Page 26

Weathering the El Niño storm



The El Niño weather phenomenon, caused by a rise in temperature in the eastern Pacific, has affected almost every aspect of Peru's economy. Fishing output, vital to the country's fortunes, tumbled as the warm waters drove the fish south. This was accompanied by a decline in manufacturing and depressed growth in retailing, telecommunications and banking. Page 36

Tough times for smaller banks

Europe's medium-sized investment banks are having a tough time of it in the eurobond market. As the large US banks (and one or two European newcomers) tighten their grip on the league tables, many of their smaller counterparts are having to subsist on fewer crumbs from the table. Page 24

COMPANIES IN THIS ISSUE

MARKET STATISTICS

Triple blow hits Japanese electronics

Falling prices, poor demand and Asian turmoil lead to poor performance from companies

By Paul Abrahams in Tokyo

The performance of Japan's leading electronics conglomerates has been hit by the triple blow of a collapse in semi-conductor prices, dire domestic consumer demand and the Asian economic crisis.

Consolidated net profits at Hitachi and NEC fell sharply last year, according to results published yesterday, while Mitsubishi Electric fell into loss and said it would pass on its full-year dividend.

The three companies warned that this year too would be difficult. NEC predicted private companies' capital spending would be lacklustre, while consumers would hoard their cash – a combination that would create "an unforgiving business environment".

Mitsubishi Electric said the situation was severe, while Hitachi called the business environment in April and May very challenging. But all three predicted earnings would recover this year.

The results were in line with expectations, but Yoshiharu Izumi, electronics analyst at SBC Warburg in Tokyo, said the forecasts of NEC and Mitsubishi Electric were almost certainly over-optimistic.

"They're not explaining how they are going to improve profitability and seem to be expecting the market to recover on its own. It's not very clear or logical," he said.

Nor is the market convinced. Hitachi's shares dropped 1.5 per cent, or Y14, to Y940; NEC fell 0.2 per cent, or Y3, to Y1,450; and Mitsubishi Electric slipped 1.5 per cent, or Y5, to Y335.

Hitachi's net earnings collapsed 96 per cent to just Y3.4bn ($25m), on sales down 1 per cent. NEC's earnings fell 55 per cent to just Y41bn, while its return on equity fell from 9.7 per cent to 4 per cent. Mitsubishi Electric posted a loss of Y106bn compared with profits of Y25.8bn on sales up 2 per cent at Y3,800bn.

Semi-conductors proved tough for Hitachi and NEC. Hitachi said falling D-Ram prices had hurt its semi-conductor revenues.

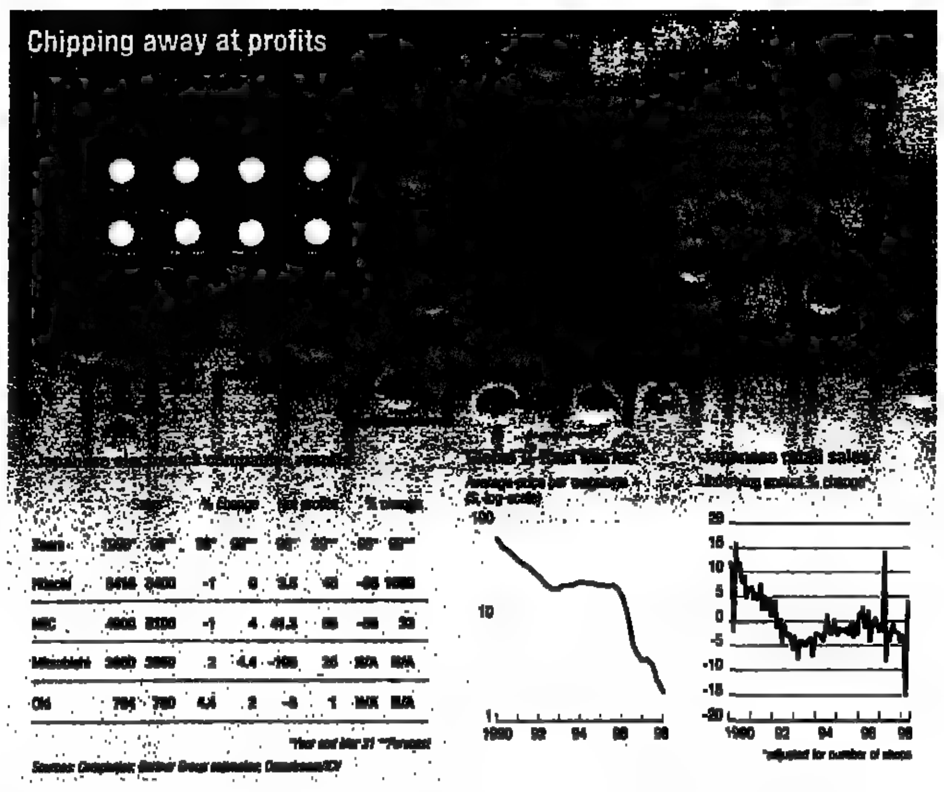
NEC's semi-conductor operations posted a small operating profit thanks to increased demand for application specific integrated circuit (Asic) products.

Improved demand for Asic chips and micro-controllers enabled Mitsubishi Electric to expand semi-conductor sales.

All three groups have reviewed their plans for further investment in semi-conductor production this year. Hitachi will cut its investment 33 per cent to Y120bn. NEC will leave investment unchanged at last year's Y180bn. Mitsubishi Electric will cut group capital spending from Y220bn to Y150bn.

Both NEC and Mitsubishi Electric were hit by last year's contraction of the Japanese personal computer market. NEC said operating profits from information and communications systems rose 1 per cent to Y204bn on sales ahead 1.8 per cent at Y1,717bn. Its PC shipments last year fell 19 per cent. This year it expects to ship 3.19m PCs, up from 3.09m last year. Mr Izumi at SBC Warburg said that Packard Bell, in which NEC holds a 50 per cent stake, had lost $500m last year.

Poor demand in Asia caused Hitachi's consumer products business to slide into loss and sales of Mitsubishi's consumer products to slide.



Threat to utilities profits is signalled

By Andrew Taylor in London

Regulatory pricing reviews and the UK government's re-assessment of power market policies are threatening the domestic profitability of UK utilities, the heads of two companies warned yesterday.

Derek Green, chief executive of United Utilities, said UK water and electricity providers were "poised to go ex-growth".

He said utilities were likely *only to maintain current levels* of earnings from regulated businesses over the next two years. Beyond the millennium, regulatory price reviews "were expected to enforce a considerable reduction in returns for the regulated businesses". The group, which provides water, electricity, gas and telecommunications, mainly in north-west England, increased pre-tax profits before exceptional items by just 3.7 per cent to £460.5m ($769m) in the 12 months to March.

It said future growth was likely to come from its investments in unregulated businesses such as areas of telecommunications and those in non-UK markets.

South West Water also reported flat pre-tax profits, which rose 3 per cent before exceptional items to £121.6m. The group, which is changing its name to Pennon, has an unregulated UK waste management business that increased operating profits by 36 per cent to £10.9m.

Ken Harvey, South West chairman, expressed concern that the price review being conducted by Ofwat, the water industry regulator, could discourage future efficiency savings and inhibit capital investment. The review will set price formulas for the period 2000-2005.

South West, says modest price cuts would allow more money to be spent improving water quality and distribution.

Uncertainty caused by the regulatory price reviews and government reviews into power station fuel policy and electricity trading arrangements has hit share prices of utilities.

Reports, Page 21

Hilfiger sues Tesco over 'counterfeit' goods claim

By Peggy Hollinger

Tesco, the UK's biggest supermarket chain and one of its most respected retailers, was yesterday accused of selling counterfeit goods by Tommy Hilfiger, the trendy US fashion label, in what is believed to be the first legal action of its kind in the UK.

The US group has issued a writ claiming damages and demanding that Tesco reveal its sources for the £3.5m ($5.8m) worth of Hilfiger caps, T-shirts, jackets and other products it began selling at cut prices over Easter.

Hilfiger said it had examined the items and believed certain products were not genuine.

"Tommy Hilfiger is a globally respected brand and we owe it to all our consumers that wherever they buy our merchandise they can be sure it is genuine," said Fred Gehring, Tommy Hilfiger Europe's chief executive.

Tesco described the claims as "outrageous and close to defamatory". The group said the products had been independently authenticated and it was "very confident these articles are not counterfeit. Tommy Hilfiger has given us no evidence that they are."

John Gildersleeve, Tesco's trading director, said Hilfiger was trying to "muddy the waters over the real issue of selective distribution – a system that brand owners operate to restrict supplies and maintain high prices".

Founding figure: US designer Tommy Hilfiger Picture: AP

The accusations are certain to raise tensions between brand owners and UK supermarkets, which have sought advantages by selling designer goods at cut prices.

But because most upmarket fragrance and fashion groups refuse to supply UK supermarkets, the chains have had to find products through unofficial sources – the "grey market". Last year Tesco sold £100m of these products.

Until now, brand owners have tried to block food retailers from selling their products on grounds such as trademark infringement. None has publicly called the grey market products counterfeit.

Other supermarket chains said the Hilfiger case would make retailers more cautious.

"Authenticity is a concern," said one large supermarket chain which has sold grey market products for several years. "There has been an explosion of people saying they can get you whatever you want at whatever price you want. If you do not know your supplier you are relying very much on what they tell you."

Asda, which sells about £10m *worth of grey market* perfume a year, said it sourced its products through one trusted supplier.

Others said the case illustrated the laxity of procedures necessary to ensure the authenticity of products. A retailer legally only needs a signed assurance from its supplier that the goods are not illegitimately sourced.

Tom Blackett, deputy chairman of the branding consultancy Interbrand, said food retailers were playing with fire as questions of authenticity of product could adversely affect their own brands. "It could be that Tesco's source of supply is bona fide, but that supplier himself may have been duped," he said. "The only way to be certain the goods are genuinely authentic is to buy from the genuine source."

Allianz reveals $54bn reserves

By Ralph Atkins in Munich

Allianz, Germany's largest insurance group, is hoping for a New York share listing within two years, after yesterday setting out details for the first time of more than DM100bn ($54bn) in "hidden reserves".

By revealing hidden reserves – the difference between the book value of assets and their current market value – Allianz has sought to reassure policy-holders of the group's strength and assist analysts in valuing the company's shares.

A New York listing would follow a listing in Paris next month and could be accompanied by a similar move in Singapore, where Allianz's south east Asian operations are based.

The internationalisation of Allianz's share structure would follow its successful DM9bn bid for Assurances Générales de France. "Internationalisation has to go on at all levels," said Diethart Breipohl, finance director. The New York listing could also help Allians to fund acquisitions in the US, where the financial sector is riding a merger wave.

At its annual press conference in Munich, Allianz predicted at least "low double-digit" profit growth this year before a contribution from AGF. That would follow a 20.4 per cent increase in pre-tax profits last year, to DM5bn.

Premium income rose about 3 per cent in the first quarter. Allianz expects an after-tax result of about DM800m from AGF this year.

Allianz's hidden reserves amounted to DM87.7bn at the end of last year, of which 85 per cent was accounted for by German assets. But the strength of financial markets this year is likely to have driven their value above DM100bn.

Under German accounting rules, other insurers have to make similar disclosures within the next two years.

Together with the planned adoption this year of International Accounting Standards, Allianz hopes the publication of its reserves figures will clear the main obstacles to a US listing.

But Mr Breipohl warned that the high proportion of reserves accounted for by shares meant their value could vary dramatically. "If the share market fell 30 per cent from its level at the end of last year, our reserves would fall a good DM30bn."

Henning Schulte-Noelle, chairman, said AGF would retain its French identity and stockmarket listing and would have operating responsibility for Benelux countries, Africa, the Middle East, Latin America, and French markets.

United Healthcare plans $5.5bn Humana buy

Managed medical care sector consolidation quickens

By Tracy Corrigan in New York

United Healthcare, the US managed health care provider, yesterday announced plans to buy Humana, another provider, for $5.5bn in an all-share transaction. The deal is the latest sign of quickening consolidation in the sector.

The new company, combining two of the sector's biggest forces, will offer medical care packages for individuals and groups in 48 states, with 290,000 participating doctors, and will operate under the United HealthCare name, based in Minneapolis.

Merger activity in the managed health care sector has been increasing, fuelled by rising medical costs. Consolidation of the still fragmented industry has been seen as a way of producing cost savings and increasing purchasing power with hospitals.

However, a number of recent mergers have run into difficulty, partly as a result of problems in integrating complex management systems. Aetna, the US insurance company, has issued two profits warnings after its acquisition of US Healthcare in 1996.

But William McGuire, United's chairman and chief executive officer, said: "It is critical to create an enterprise that, in an increasingly competitive marketplace, possesses the size, scale and operating efficiencies needed to accelerate investment in high quality health and well-being services."

Charles Boorady, an analyst at Prudential Securities, said that while health mergers do carry a high degree of risk, United has one of the best records in buying prudently and integrating acquisitions. He added that he expects consolidation to accelerate in the next year as the industry faces rising costs from new legislation seeking to ensure patients' needs are met.

Executives at United and Humana estimate the merger could save 2.5 to 5 per cent on the combined company's $4.8bn administrative expenses and three-quarters of a per cent on medical costs totalling about $21bn.

Savings will come from combining management and administration, merging overlapping operations, integrating and improving medical care programmes and cross-selling products and services. The companies expect earnings growth to exceed 20 per cent. On a pro forma basis, the company would have annual revenues of about $27bn.

Mr McGuire described the merger as "an industry-defining event" for the healthcare sector, comparing its significance to the recent merger of Travelers Group and Citicorp in financial services. He said there would be numerous cross-selling opportunities, for example in life insurance and behavioural health.

Goldman Sachs advised United and Lehman Brothers Humana. The deal, under which one United share will be swapped for two Humana shares, is expected to close in the third quarter. The companies said the merger would be neutral to earnings in 1998 and beneficial in 1999.

After the announcement, United's share price fell nearly 4 per cent to $61-5/8 while Humana rose 1 per cent to $29.

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JAPAN POOR DOMESTIC PERFORMANCE BLAMED FOR VEHICLE MAKER'S FIRST ANNUAL LOSS FOR 12 YEARS

Mitsubishi Motors falls into the red

By Michiyo Nakamoto in Tokyo

Mitsubishi Motors, one of Japan's leading vehicle makers, yesterday blamed its first annual net loss in 12 years on a poor performance at home and difficulties in the crisis-hit south-east Asian markets.

Mitsubishi saw a group net loss in the year to March of Y101.8bn ($739.8m), compared with a profit of Y11.6bn in the previous year, on sales up slightly from Y3,672.1bn to Y3,735.2bn.

The company forecast that the current year would be equally difficult, with sales falling to Y3,710bn. It said it expected to record another loss, although smaller, of Y26bn.

Mitsubishi's Japanese competitors have all reported a similarly gloomy outlook for domestic demand – although none has recorded such steep losses as Mitsubishi.

Mitsubishi, which has a manufacturing joint venture in the Netherlands with Volvo of Sweden, said that its performance was particularly disappointing in the Japanese market.

Sales plunged 19 per cent by value as demand in the domestic market dried up in the wake of the increase in consumption tax last year.

Unit sales in Japan were down 22 per cent. This compared with a 14 per cent unit fall for the industry as a whole in 1997-98 – to 6.275m, the lowest level in 10 years.

The company has not been able to maintain its momentum in the recreational and sport utility vehicle markets.

At the same time, Mitsubishi suffered from the sharp downturn in the south-east Asian markets – particularly Thailand, where it has a pick-up truck manufacturing facility.

Losses incurred as a result came to Y42.6bn, of which Y38.3bn stemmed from currency losses and Y4.8bn was a result of the market downturn.

However, the company said that the stabilisation of the Thai baht this year could result in a turnround that would enable it to avoid additional losses.

Operations in the surging US market and in Europe helped support profits.

The US contributed Y38.7bn to operating profits, while Europe contributed Y14.6bn.

Exports in the year were up 25 per cent in unit terms, in sharp contrast to the downturn in Japan.

Mitsubishi intends to turn its fortunes around through a restructuring programme that aims to cut costs significantly.

The company said it planned to reduce liabilities of more than Y1,700bn, including those of affiliates, to Y1,600bn by disposing of assets amounting to about Y2,000bn.

INDIA TELECOMS GROUP REPORTS 'ENCOURAGING' YEAR BUT OVERCAPACITY HITS CEMENT AND STEEL GROUPS

VSNL surges 60% in year

By Krishna Guha in Bombay

Videsh Sanchar Nigam (VSNL), India's international telephone company, yesterday announced profits up 60 per cent last year.

B.K. Syngal, chairman, said the results were "extremely encouraging" and that VSNL would announce its choice of a joint-venture partner for its planned regional telecommunications hub within "four to six weeks".

He said the Indian government was considering both a further issue of VSNL Global Depositary Receipts and a domestic share issue as part of its divestment programme, which could take place this financial year.

The increase in pre-tax profits, from Rs8.3bn to Rs13.2bn ($319m), was propelled by a 21 per cent increase in traffic volume to 1.7bn minutes in the year to March 31. Revenues also rose 21 per cent, to Rs 64bn.

Mr Syngal said VSNL had achieved "greater operational efficiencies" by increased use of its own network rather than that of the Department of Telecommunications. The company also saw windfall gains from the fall in the rupee.

Staff costs rose Rs230m following government-mandated pay increases, but the rise was less significant than at MTNL, India's biggest domestic phone company, as VSNL employs fewer staff and wages account for only 1.5 per cent of revenues.

The proportion of value-added services rose from 3.2 per cent to 4.5 per cent of revenues, fuelled by a 64 per cent increase in fees from internet subscriptions and leased lines.

Cost savings and greater value addition lifted margins from 15.8 per cent to 19 per cent.

The closely watched ratio of incoming to outgoing calls rose from 2.6:1 to 3:1. VSNL now receives 10.87 call minutes from the US for every one it routes to the US.

Analysts regard the imbalance as worrying, as it gives the US Federal Communications Commission ammunition in its attempt to push down the fees paid by US carriers to VSNL. US traffic accounts for 37 per cent of the company's revenues.

Mr Syngal admitted that there would be "increasing pressure from the FCC to reduce accounting rates". He said the company would try to reduce the imbalance by removing incentives for callers in third countries to route calls through the US, and support moves to cut international call fees at home to prompt more outgoing calls.

Fully engaged: VSNL saw a 21% increase in traffic volume to 1.7bn minutes last year — Reuters

ACC tumbles to Rs154m

By Krishna Guha

The severity of the downturn in India's cement industry was highlighted yesterday when the country's biggest producer posted an 83 per cent decline in profits.

Associated Cement Companies said pre-tax profits fell to Rs154m ($3.7m) in the year to end-March, down from Rs889m. ACC would have reported a loss, but for a 70 per cent jump, to Rs661m, in one-off gains from tax write-backs and asset sales.

Sales were down 3 per cent at Rs24bn, while costs rose 1 per cent to Rs22.6bn. Narrow margins were squeezed by increases in input costs and falling prices.

ACC, which has a market share of about 12 per cent, is the most prominent victim of overcapacity in India's cement industry. The company's plants are mainly located in north and east India, where the problem is most acute.

"Last year there was a huge price differential between the south and the north," said one analyst. "In Delhi cement was close to Rs120 a bag, while in Madras or Kerala it was Rs160 and above."

Meanwhile, government-administered input prices – including coal, freight and power – rose more than 20 per cent last year.

Rising input costs and low prices have hit all India's cement companies, but ACC has a higher proportion of outdated plants and has invested less in new technology. Although it is India's biggest producer, its individual plants are smaller than those of its rivals, producing 1m tonnes a year against 2m tonnes at Larsen and Toubro, India's second biggest producer.

ACC has also missed out on a wave of consolidation in the cement sector which threatens its pre-eminence. Analysts blame confusion over strategy and ownership.

The company is part-owned by the Tata family, but is not part of the Tata group. With the Tatas reluctant to invest heavily in the sector, it is difficult for ACC to raise funds.

Tisco posts 33% fall as steel market contracts

By Krishna Guha

Tata Iron and Steel, the flagship of the Tata group and a bellwether for India's old generation of blue-chip industrial companies, yesterday reported a 33 per cent fall in profits for the year to March 31.

The company blamed the "slowdown in industrial growth". India's market for steel contracted last year, triggering a battle for business with Steel Authority of India, the state-owned group.

Tisco said it was "severely impacted" by the collapse of export markets in south-east Asia. It faced cut-price competition from producers in the former Soviet Union in the first half and from Korea's Pohang Iron and Steel in the second.

Domestic sales volumes were up 10 per cent, but revenues rose only 1 per cent to Rs64bn ($1.5bn) owing to lower prices. Costs increased 6 per cent to Rs56bn.

"Steel today on an item-by-item basis compared to last year shows a much lower price realisation," said Jamshed Irani, managing director. He said the main problem was overcapacity at home and abroad.

"New capacities have come in but the anticipated increase in usage has not happened." He called on the Indian government to stimulate demand, but added: "We do not want protection."

Tisco enjoys many advantages over rival international producers, including cheap supply of iron ore, its own coal supplies and a low-cost labour force. But it is overstaffed and struggling with the costs of modernising old plants.

Last year the company set aside Rs1.1bn to fund its voluntary redundancy scheme. Depreciation charges rose 5 per cent to Rs3.4bn, although lower interest rates resulted in a 5 per cent fall in the cost of borrowing.

Mr Irani said Tisco "will slowly shut down the older mills". He said their productivity was low and that they were no longer profitable.

Analysts said domestic demand would pick up only if there was increased spending on infrastructure. "Flat steel products, which are more consumption-related, are doing reasonably well," said Sangeev Mohta, head of research at HSBC Batlivala and Karani. "Long products, which are more investment-related, are the problem. The market here is dead."

Tisco's efforts to cut costs, reduce staffing and move into value-added products were making headway, said Mr Mohta. But profits were unlikely to recover while competition made it impossible to raise prices.

ANA suspends payout for first time in 30 years

By Alexandra Harney in Tokyo

All Nippon Airways, Japan's second largest airline, fell into the red last year and announced yesterday it would suspend its dividend for the first time in 30 years.

Net losses totalled Y2.7bn ($19.6m), against earnings of Y3.9bn last time. Sales rose 2.6 per cent from Y887bn to Y910bn.

The company, which has been negotiating with its pilots' union after a strike this year, blamed the results on low domestic demand and tougher competition in the industry due to recent deregulation.

In the current year, it said, it would incur further losses of Y6bn on sales of Y944.2bn.

The results sharpened concerns over the airline's future. It has not earned a return above its cost of capital for 13 years, while its operating costs are among the highest in the world and efforts to reduce them have led to a bitter and on-going labour dispute.

The company desperately needs to improve margins. Its operating costs are running at an estimated 14.8 cents per available seat mile in 1998, according to HSBC Securities. That compares with 8.62 cents at United Airlines, the US carrier.

Pilot salaries were 40 per cent higher than those of rival US carriers, said Paul Smith, airline analyst at HSBC in Tokyo.

ANA has responded with plans to cut costs by Y120bn in the next five years. The restructuring plan includes reductions in capital spending, salaries and employees. The company also plans to sell its two hotels in the US.

But analysts are doubtful about its ability to cut costs. "At this point, my sense is that they are still floundering on restructuring," said Tim Ross, airlines analyst at SBC Warburg in Singapore.

The pilot strike, and a recent management shake-up, have called the cost-cutting programme into question.

The pilots had been petitioning to keep a wage system where salaries were set at a monthly 65-hour nominal flying time, regardless of actual hours flown.

ANA wanted to implement a new wage programme by which pilots were paid for only hours flown, in an attempt to reduce labour costs without cutting employment.

Even if successful, such cost-cutting will at best allow it to keep pace with rivals. Local competitors Japan Air Lines and Japan Air Systems have been lowering costs by laying off workers and cutting routes, while deregulation has eliminated minimum ticket prices and allowed smaller carriers to enter the market.

Japanese carriers will "have to do substantial restructuring before they become competitive airlines", said Mr Smith, at HSBC.

"ANA's efforts are certainly a move in the right direction, but only that. It is just a beginning."

Meanwhile, ANA is attempting to improve high-yielding international passenger volumes through strategic alliances.

The company signed a code-sharing agreement with Lufthansa of Germany and United Airlines of the US last month, giving it access to more passengers from Europe and North America.

ANA has also stated it wants to join the Star alliance, which includes Lufthansa, United, Scandinavian Airlines System, Thai Airways, Air Canada and Varig of Brazil.

Such efforts are likely to help revenues but ANA's long-term future must involve cutting costs. Although turnover increased 3 per cent last year, operating profits fell 96 per cent because of aggressive price discounting.

The group's profitability and cash flow are worrying, especially as ANA's parent company has liabilities of Y968bn against total equity of just Y183bn.

With little so far resolved, and a strike threatened for next month, ANA's turbulence may only just have started.

Telkom hit by threefold rise in forex losses

By Sander Thoenes in Jakarta

Telekomunikasi Indonesia, the privatised telephone company, yesterday said it had dipped into the red in the first quarter because of a threefold increase in foreign exchange losses, to Rp1,938bn ($177m). It warned that the economic crisis could also depress revenues for the year as a whole.

The net loss was Rp398.9bn, compared with a net profit of Rp398.9bn in the first quarter of 1997. This loss was calculated at an exchange rate of Rp8,600 to the US dollar, suggesting worse to come for the second quarter unless the rupiah strengthens from its current range of Rp10,000 to Rp11,000.

With 21.1 per cent of shares in foreign hands, Telkom is the most actively traded stock on the Jakarta Stock Exchange and a candidate for further divestment by a government desperate for revenues.

At the year-end of 1997, forex losses were Rp722bn at an exchange rate of Rp4,673 per dollar. A sharp drop in the rupiah, to an all-time low of Rp16,500 to the dollar in January, as well as higher interest and depreciation expenses, further depressed performance in the first quarter.

Foreign exchange losses by its cellular joint ventures were behind a net loss on long-term investments of Rp24.2bn, compared with a profit of Rp11.7bn in the first quarter of 1997.

Telkom has postponed further investments in these ventures, which include Deutsche Telekom, the German operator, and PTT Telekom of the Netherlands.

Operating profits grew 11.8 per cent to Rp 673.9bn.

Operating revenues increased 11.4 per cent to Rp1,532bn, while operating expenses rose 11.2 per cent to Rp857.8bn.

Telkom has cut its plans for capital expenditure to Rp3,100bn, but directors said 60 per cent would be spent on imported equipment and services, leaving it vulnerable to rupiah depreciation.

Telkom directors said foreign and domestic telecommunication companies that invested in joint operation schemes for large parts of Indonesia had failed to lay as many lines or produce as much revenue as Telkom had expected.

The foreign partners, which include US West, France Cables et Radio and Cable and Wireless, want to renegotiate the terms of their agreements, which would probably reduce Telkom revenues.

NEWS DIGEST

LISTINGS

HKSE proposes board for smaller companies

The Hong Kong Stock Exchange is proposing the creation of a second board to enable smaller companies to tap public funds. Under proposals outlined in a consultation paper, the second board would be open to "emerging companies" with a minimum market capitalisation of HK$46.1m (US$6m). A high minimum transaction size would be imposed to deter non-specialist investors, due to the riskier nature of listed stocks.

Plans for a second board, which would provide venture capital for smaller companies, have been raised several times in Hong Kong. But there are concerns – acknowledged by the exchange – that the current uncertainty in financial markets following the Asian financial crisis mean the timing is not right to launch a second board.

Entry requirements will be looser than those for companies seeking a listing on the main board. The exchange is suggesting a minimum public float of HK$30m or, if higher, 35 per cent of market capitalisation; a two-year moratorium on management shareholders selling down; and no minimum profit requirement.

Among the increased disclosure requirements, the exchange is proposing a statement of the company's record in the two years prior to listing and a similar explanation of expansion plans in the following two years. It is also proposing quarterly reports, which need not be audited.

Industry practitioners and other interested parties have until July 31 to submit their comments.

Louise Lucas, Hong Kong

OIL

Shrinking margins hit Cosmo

The overcapacity and shrinking profit margins that lowered profitability across Japan's oil industry took their toll on earnings last year at Cosmo Oil, the Japanese oil group. Net profits fell 40 per cent, from Y8.8bn to Y5.3bn ($38.5m), on sales down 3 per cent at Y1,680bn.

Cosmo, which opened its first self-service station last month at a cost of Y15bn, blamed the results on the drop in crude oil prices.

Pre-tax consolidated profits before exceptionals were down 5 per cent, from Y15.8bn to Y14.9bn. The company also issued Y45bn in new corporate debt last year.

In the current year, it aims to reduce costs Y30bn through its restructuring programme. However, earnings were still forecast to fall 25 per cent to Y4bn on sales down 9 per cent to Y1,530. The dividend would be maintained at Y8.

The company's high debt levels, combined with profit margins squeezed by record-low crude oil and retail petrol prices, would limit the effect of its cost cuts, said Lalita Gupta, oil analyst at Deutsche Morgan Grenfell.

The shares closed up Y4, or 1.6 per cent, at Y240.

Alexandra Harney, Tokyo

TEGE SA, Switzerland

TEGE

NOTICE

Shareholders of TEGE SA, Switzerland, are invited to attend the

ANNUAL GENERAL MEETING

to be held on

Friday, 19 June 1998 at 10.00 am

at the

Centre de Congrès et d'Expositions, Grand Rue 93, 1820 Montreux, Switzerland

The Annual Report, Auditors' Report and Annual Group Accounts will be available to shareholders, free of charge, from the TEGE SA offices, Switzerland from 29 May 1998. A copy of these reports will be sent to shareholders on request.

Entry to the Annual General Meeting will be permitted only on presentation of share certificates or a bank confirmation stating the number of shares held. Shares should remain blocked until after the Annual General Meeting. Alternatively, a confirmation may be sent in advance to the TEGE offices, to arrive no later than Friday, 12 June 1998 in order that Admission Certificates may be despatched to shareholders by return post.

The reception area will be open from 09.00 am to 09.55 am. Admission certificates and ballot papers will be distributed during this period. The doors of the Conference Centre will close punctually at 10.00 am.

Shareholders are invited to join us for cocktails and canapés after the meeting.

For the Board of Directors

Jacques Hennessy

Chairman

For more information please contact:
Helena Kyriakides, Corporate Communications Manager
TEGE SA Registered Offices: c/o Notary Pascal Pittet,
Rue du Théâtre 3, 1820 Montreux, Switzerland
Tel: +41 21 943 06 60 Fax: +41 21 943 06 70 E-mail: kyriakid@tege.ch

U.S. $100,000,000

AIB

Allied Irish Banks plc

Undated Floating Rate Notes
Subordinated as to payment of principal and interest

Interest Rate	6.00% per annum
Interest Period	29th May 1998 30th November 1998
Interest Amount per U.S. $10,000 Note due 30th November 1998	U.S. $308.33

Credit Suisse First Boston (Europe) Ltd.
Agent

U.S. $250,000,000

BankBoston.

Subordinated
Floating Rate Notes Due 2001
Issued 10th February 1996

Interest Rate	5.8125% per annum
Interest Period	29th May 1998 28th August 1998
Interest Amount per U.S. $50,000 Note due 28th August 1998	U.S. $734.64

Credit Suisse First Boston (Europe) Ltd.
Agent

U.S. $125,000,000

BankBoston.

Floating Rate
Subordinated Notes Due 1998
Issued 28th August 1996

Interest Rate	5.7375% per annum
Interest Period	29th May 1998 28th August 1998
Interest Amount per U.S. $50,000 Note due 28th August 1998	U.S. $725.16

Credit Suisse First Boston (Europe) Ltd.
Agent

FINANCIAL SERVICES US GROUP STEPS UP EFFORTS TO BUILD STRATEGIC GLOBAL TO TAKE ADVANTAGE OF ASIAN CRISIS

AmexCo names international president

By John Authers in New York

American Express, the US financial services group, yesterday appointed a new president of international operations as it intensified efforts to build strategic global alliances with banks and to capitalise on opportunities arising from the Asian crisis.

James Cracchiolo will become president of the travel related services international division, following the departure of Thomas Ryder to become chief executive of Reader's Digest.

Mr Cracchiolo will continue as president of the global network services division, set up two years ago after the company decided to reverse its traditional policy and offer its cards in partnership with banks and other financial institutions.

Mr Cracchiolo has signed deals to issue American Express cards with 32 financial partners in the past two years, and will attempt to build on this momentum while taking control of the company's other business outside the US.

Kenneth Chenault, president, said Mr Cracchiolo would be expected to "re-engineer" its international businesses.

According to Mr Cracchiolo, AmexCo will continue to invest directly in its own proprietary operations, particularly in the 25 most developed economies it now serves.

It will expand in developing markets by joint ventures and licensing deals.

He described Asia as a "significant long-term growth opportunity".

The company intends to market its broader financial services outside the US.

The company owns one of the largest brokerages in the US, selling mutual funds and other products to wealthy clients.

Mr Cracchiolo said AmexCo would seek to form partnerships and alliances to distribute these products outside the US, and would invest directly in a few key markets, such as Canada and Japan.

It would also use the company's international bank, which has a big presence in south-east Asia, to attempt to sell more investment products.

Trouble in toyland pushes Toys R Us on to the defensive

The arrival of discount retailers in the market has squeezed both margins and market share, writes **Richard Tomkins**

There's trouble in toyland, and Toys R Us, the world's biggest toy retailer, is in the thick of it.

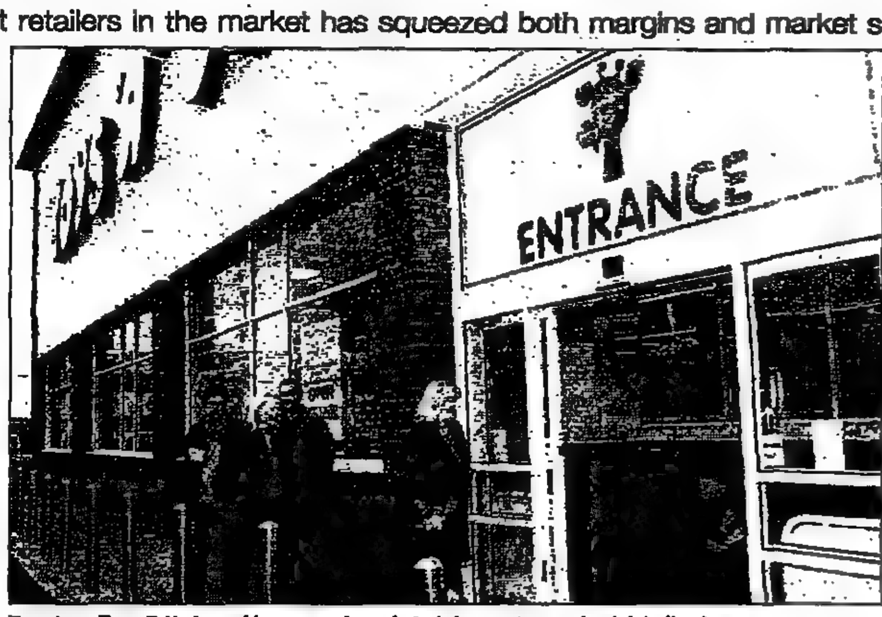
In the US, Wal-Mart Stores and the other big discount store chains have swept into the toy market, selling the best-selling toys at rock-bottom prices and grabbing market share at the expense of Toys R Us.

Things are not much better overseas, where the Toys R Us formula has proved less easy to export than the company imagined.

Sales have fallen short of expectations and operating margins are even thinner than in the US.

Last year, Toys R Us made net profits of $490m on sales of $11bn – an improvement on the previous year's figure, but hardly any better than the $483m it made in 1993 on sales of $8bn.

Now, the company has called a halt to expansion while it searches for a new formula to bring the customers back into the stores and restore profitable growth.



Toy story: Toys R Us is seeking a new formula to bring customers back into its stores

US toy market share
Toys R Us v Wal-Mart Stores

Company	1990	1991	1992	1993	1994	1995	1996	1997	1998
Toys R Us	25.4	24.8	23.7	22.8	21.9	21.2	20.9	20.3	20.0
Wal-Mart	9.5	10.3	11.4	12.5	13.4	14.3	15.9	15.6	16.1
Other	65.1	65.2	64.9	64.7	64.7	64.5	64.5	64.1	63.9

Source: Tactical Retail Monitor

A couple of decades ago, Charles Lazarus, its founder, more or less invented the "category killer" retailing concept, opening toy superstores that devastated competing outlets by offering much bigger assortments of toys at much lower prices.

Profits climbed as the company extended the concept across the US, then started exporting it overseas. Toys R Us thought it had an unbeatable formula, and the sales figures seemed to bear that out.

But the company had reckoned without the next evolutionary twist in US retailing: the advent of the discount store and membership warehouse chains – or, more precisely, their entry into the toy market.

The discount stores could not compete with Toys R Us on assortment. But they started offering the best-selling toys, which account for about 80 per cent of the market, at lower prices – and shoppers who were in the stores making other purchases were all too ready to snap up the Barbie doll bargains.

Toys R Us profits peaked at $532m in 1994, but even then, it was losing market share to the discounters.

According to Tactical Retail Monitor, an industry newsletter, the company's US market share has slumped from 25 per cent to 20 per cent since 1990, and discounters now account for more than 50 per cent of the US toy market.

Analysts say that the company's big mistake was to fall victim to complacency.

"The evidence suggests that they stopped renewing and refreshing their stores at exactly the wrong time, which is the point where Wal-Mart and the other discounters got a lot more interested in the toy category," says Ursula Moran, an analyst at Sanford C. Bernstein.

The result is that Toys R Us has a big chain of unattractive, warehouse-style stores that beat neither main street toy stores for convenience nor discount stores for price.

Poor service from badly-trained or hard-to-find staff adds to the unpleasantness of the Toys R Us shopping experience, critics say.

Toys R Us has reacted to its troubles in a number of ways. In 1996, it triggered an antitrust complaint by the Federal Trade Commission for allegedly threatening not to buy toys from toy manufacturers if they sold the same products to membership warehouse clubs.

An administrative law court upheld the complaint last year, and Toys R Us is currently awaiting a verdict on its appeal.

The company has also changed its management. In February, Michael Goldstein, chief executive, was shuffled aside to the chairmanship, to be succeeded in his old job by Robert Nakasone, previously chief operating officer: and the company injected some new blood by recruiting Bruce Krysiak, previously chief operating officer of the Dollar General discount store chain, as its new chief operating officer.

In the company's latest annual report, Mr Nakasone says Toys R Us will move away from a company focused on building stores and expanding to new countries, concentrating instead on asset productivity.

As a start, it has switched to an "economic value added" management system and targeted a $500m cut in inventories by 2000 – much to the anguish of toy manufacturers, which are already feeling the squeeze.

But more fundamentally, Mr Nakasone says, Toys R Us has to differentiate itself from the competition by becoming more than just a toy retailer. It has to sell services as well as products, he says, becoming a company "focused on fun – not just for kids, but for the entire family."

How that is to be achieved is, at this stage, still a mystery.

The company has been experimenting with new store formats in the US – KidsWorld megastores and brighter, more attractive Concept 2000 stores with better service – but has failed so far to find a winning formula.

Mr Nakasone promises "a year of enormous experimentation" as the company seeks to redefine itself.

It could also be a year requiring enormous courage of Toys R Us shareholders.

NEWS DIGEST

MEDIA

Disney executive quits to start own company

Geraldine Laybourne, one of the most consistently successful US television programming executives, is to leave her job as head of Disney/ABC Cable Networks to set up her own company. Backed by Walt Disney, which will have first call on her TV productions, her as-yet unnamed company will generate content aimed at women and children, for TV and the internet.

Ms Laybourne, who joined Disney from Viacom in early 1996, said the content for online entertainment and commerce sites would be linked to complementary cable and network TV programmes.

Although Disney is losing one of its top executives, its unspecified equity investment and its "preferred access" agreement will effectively keep Ms Laybourne closely tied to the group. "The interplay between television and the internet allows deeper connections than ever before, and we intend to create a powerful brand to develop a new relationship with consumers," she said.

Reflecting her strengths in family viewing, Ms Laybourne was responsible for repositioning the Disney Channel, and representing the group's 50 per cent stake in Lifetime, a women's cable channel. Her replacement is expected to be named in the late summer.

Christopher Parkes in Los Angeles

CANADA

Two top banks forge ahead

Two more of Canada's six largest banks turned in their strongest showings in the second three months of 1998, continuing a long winning streak for the Canadian banking sector.

Toronto-Dominion Bank, the country's fifth largest by assets, said net income rose from C$240m to C$307m (US$210m) in the second quarter, excluding a C$29m after-tax charge taken last year.

National Bank of Canada, the largest Quebec-based bank and sixth largest in Canada, saw its net profits rise 18 per cent over the same quarter last year, to C$95m.

Earnings at both banks were driven by gains outside the traditional personal and commercial banking sectors. At TD Bank, which operates the world's second largest discount brokerage, other income increased by 47 per cent, or C$263m.

Investment banking and securities dealings, led by the discount brokerages, brought in C$133m of that gain. Mutual fund revenues also 41 per cent, or C$15m, while the bank's own equity and interest rate trading added C$87m. TD's earnings per share of C$1 bettered analysts' estimates of 94 to 97 cents, according to First Call, the research agency.

National Bank's profits were led by a 22 per cent gain in other income, with one-third of that increase attributable to its discount brokerage business. Earnings per share increased from 44 cents to 52 cents.

Both banks continued to report strong returns on equity, with TD's rising from 15.2 per cent a year ago to 17.3 per cent, and National's up from 13.6 per cent to 14.6 per cent.

TD Bank, which has seen the strongest profit growth of any of the big banks, announced this spring that it planned to merge with the Canadian Imperial Bank of Commerce, Canada's largest bank. But the controversial merger must still obtain government approval, and TD chairman Charles Baillie acknowledged in a statement yesterday that Ottawa may decide to block all bank mergers. "We are fully prepared for such an outcome," Mr Baillie said.

Edward Alden, Toronto

Notification

regarding the

4½% Deutsche Mark Bearer Notes of 1996/2003 with appertaining Warrants issued by Daimler-Benz Capital (Luxembourg) AG guaranteed by Daimler-Benz Aktiengesellschaft, Stuttgart (WKN 132 950)

The annual shareholders' meeting of Daimler-Benz AG has decided on May 27, 1998 to pay out a regular dividend of DM 1.60 per share and in addition an extraordinary dividend of DM 20.00 per share. Daimler-Benz AG has decided in compensation for the extraordinary dividend to reduce on a voluntary basis the Exercise Price per share as follows:

1. In the event the Exercise Price is paid in cash (§ 3 (1) (a) of the Terms and Conditions of the Warrants) the Exercise Price of currently DM 98.45 per share will be reduced by DM 8.50 and is fixed with respect to any exercise of the Option beginning on or after May 28, 1998 to DM 89.95.
2. In the event of an exercise of the Option by a transfer of the Notes with Appertaining Claims (§ 3 (1) (b) of the Terms and Conditions of the Warrants) the Exercise Price of currently DM 94.87 will be reduced by DM 8.50 and is fixed with respect to any exercise of the Option on or after May 28, 1998 to DM 86.37.

No compensation will be made for remaining fractions of shares not being delivered upon exercise of the Option.

Daimler-Benz Aktiengesellschaft

Board of Management

Notification

regarding the

5¾% Bearer Subordinated Mandatory Convertible Notes of 1997/2002 with mandatory conversion at maturity into ordinary bearer shares of Daimler-Benz Aktiengesellschaft (WKN 350 340)

The annual shareholders' meeting of Daimler-Benz AG has decided on May 27, 1998 to pay out a regular dividend of DM 1.60 per share and in addition an extraordinary dividend of DM 20.00 per share.

In accordance with § 12 (5) of the Terms and Conditions of the Notes Daimler-Benz AG will pay a Dividend Compensation Amount in an amount of DM 11.65 per Note. Payment of the Dividend Compensation Amount will be made in accordance with § 12 (5) of the Terms and Conditions of the Notes on June 4, 1998 to Noteholders who hold Notes in their deposit accounts on May 27, 1998, 24.00 h.

Daimler-Benz Aktiengesellschaft

Board of Management

Financial Times Surveys

Croatia

Tuesday June 30

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FINANCIAL TIMES
No FT, no comment.

National Westminster Bank
(Incorporated in England with limited liability)
US$ 500,000,000 Primary Capital FRNs (Series "C")

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from May 29, 1998 to August 28, 1998 the Notes will carry an Interest Rate of 5.8125% per annum.

The interest payable on the relevant Interest Payment Date, August 28, 1998 against coupon No. 51 will be US$ 146.93 per US$ 10,000 principal amount of Note and US$ 1,469.27 per US$ 100,000 principal amount of Note.

The Agent Bank
Kredietbank S.A. Luxembourgeoise

Financial Times Surveys

The Actuarial Profession

Friday June 5

For further information please contact:
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or Tel: +44 1442 843 123 or Fax: +44 1442 843 300

FINANCIAL TIMES
No FT, no comment.

Collateralized Floating Rate Bond Due 2023
THE REPUBLIC OF ARGENTINA

In accordance with the provisions of the Fiscal Agency Agreement, notice is hereby given that for the six month interest Period from May 29, 1998 to November 30, 1998, the Bonds, will carry an Interest Rate of 6.625% p.a. and the Coupon Amount per U.S. $1,000 nominal of the Bonds will be U.S. $34.05.

May 29, 1998 London
By: Citibank, N.A. (Corporate Agency and Trust), Agent Bank
CITIBANK

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Web page: www.efg-hermes.com

FINANCIAL SERVICES ADVANCE BY DUTCH GROUP HELPED BY CONTRIBUTIONS FROM BANQUE BRUXELLES LAMBERT AND US PURCHASES

Acquisitions drive 86% surge at ING

By Gordon Cramb in Amsterdam

Three landmark acquisitions added Fl 294m ($146m) to first-quarter net profits at ING, the Dutch financial group, accounting for about one-third of its 86.2 per cent advance to Fl 1.94bn.

The biggest contribution, of Fl 225m after financing charges, came from Banque Bruxelles Lambert. The Belgian bank last November agreed a Fl 9bn takeover by ING, in a deal where it was the sole bidder – unlike this week's battle between ABN Amro and Fortis for Générale de Banque.

ING's result was also helped by the inclusion of two US purchases: Equitable of Iowa, an insurer, and Furman Selz, an investment bank. In addition, ING made gains on the sale of stakes in Kredietbank Belgium and in Libertel, a Dutch mobile phone network, but much of those proceeds were put towards a Fl 400m addition to provisions for Asian banking.

"It should be noted that the general provision for Asia of Fl 250m made in 1997 was not yet allocated," it added. Further provisions of Fl 50m were made for the euro and the millennium, and Fl 40m for a reorganisation of its domestic branch network.

The group made its first detailed forecast for the full year. Barring unforeseen circumstances, it expected earnings per share to rise by between 30 per cent and 35 per cent. Earnings in the latest three months were Fl 2.11 compared with Fl 1.19. Although these were well above most analysts' expectations, the shares eased 90 cents to Fl 138.

The insurance result rose 50.9 per cent before tax to Fl 1.2bn. Premium income at Fl 11.92bn was up 58.4 per cent, of which 31.4 per cent was organic. In banking, pre-tax profits were 89.8 per cent ahead at Fl 1.27bn as volumes offset a narrowed interest margin.

ING Barings, the investment banking arm, showed a decrease in commission income because of the Asian upheavals, but its trading activities performed strongly.

The results were the last under the chairmanship of Aad Jacobs, who after today hands over to Godfried van der Lugt. This year Mr Jacobs introduced a change in accounting principles to conform more closely to international standards.

This allows it to book to the profit and loss account those gains and losses realised on equity instruments and property. Figures for 1997 were restated.

SMH to launch wristwatch telephone

By William Hall in Biel

SMH, the Swiss group that is the world's biggest watch producer, is about to find out whether consumers of its famous cheap and cheerful Swatch brand really do have time to talk.

It plans to launch the first wrist watch which doubles as a mobile telephone, and aims to sell 1m a year at under SFr500 ($340) apiece.

The new watch – Swatch Talk – is thicker than the world's thinnest watch – the 3.9mm Swatch Skin – which SMH launched last October. Nor does it have the long-term endurance of its sister brand, the Omega Speedmaster, the only watch ever worn on the moon, which is now on its way to Mars in a US space ship.

However, it can operate at depths of 100 feet and, while its phone battery will run out after 10 hours, the watch will run for another month.

Swatch Talk is the latest of nearly 1,900 different models to be rolled out since Nicolas Hayek, the man who rescued the Swiss watch industry from bankruptcy, founded the world's best-known brand in 1983. "The next time my watch tells me it's time to call someone, I need look no further," said Mr Hayek at SMH's annual press conference yesterday. "A flick of the wrist and I'm connected. Two vital accessories rolled into one."

SMH's decision to risk humiliation by challenging the the likes of Nokia, Motorola and Ericsson, is vintage Nicolas Hayek. The former engineer and self-publicist rescued the Swiss watch industry from Japanese competition and established SMH as the world's most successful watch company with annual sales of more than SFr3bn ($2bn) and a staff of nearly 18,000.

However, Mr Hayek, who turned 70 in February, is not content to stick to making watches. Last September SMH and Daimler-Benz launched the jointly-designed Smart car at the Frankfurt motor show.

SMH disclosed yesterday it had invested close to SFr100m in this project and a roughly similar amount in its own Swatchmobile, a hybrid electric vehicle it is developing separately.

Both projects are still a long way from making money for SMH's shareholders. But the latest annual report explains the plan to build the first ecologically friendly hybrid electric car is "part of our commitment to the fight to save our planet".

Mr Hayek signalled yesterday he expected 1998 would be another good year for SMH, which last year increased profits 18 per cent to SFr332m. The shares have risen nearly 50 per cent since the start of the year, and turnover at the Swatch Megastore Timeship in New York – the first of 15 Megastores – soared 71 per cent in January and 49 per cent in February.

Kirch licks his wounds after Brussels blocks pay-TV deal

European decision increases speculation about financial health of German media mogul's empire, writes **Frederick Stüdemann**

Leo Kirch: company is notoriously secretive about its dealings AP

The European Commission's decision to block the proposed digital pay television joint venture between Leo Kirch, the secretive German media mogul, and Bertelsmann, the media group, has reawakened speculation about the financial health of the former's privately held empire.

Kirch will now miss out on an estimated DM500m ($281m) from CLT-Ufa, the Luxembourg-based broadcasting group in which Bertelsmann holds a 40 per cent stake. The injection was part of an agreement between the two companies to share the losses incurred by Kirch in starting up DF-1, a digital pay-TV company launched in 1996.

DF-1, which under the agreement with CLT-Ufa was to be folded into Premiere, an analogue subscription channel run by both companies, is now scheduled to be closed with estimated losses of DM1.5bn.

These latest setbacks will exacerbate strains on the finances of Kirch. The company has an estimated DM10bn in commitments to big Hollywood studios for the rights to popular films.

Many of Kirch's assets, such as its 40 per cent stake in the Axel Springer publishing group, have been collateralised. Bankers who were previously happy to lend to Kirch are now wary of doing business with the group.

However, assessing the real impact of all of this on Kirch is difficult. The company is notoriously secretive about its dealings and rarely releases any financial information.

Such behaviour has fired the imagination of analysts and rivals, who seem to devise speculative scenarios for Kirch on a weekly basis. These include the stock market flotation of Sat-1, a commercial television channel controlled by Kirch, or the arrival of a foreign investor, such as Rupert Murdoch or General Electric of the US.

Dieter Hahn, Kirch's managing director, has been quick to counter speculation that the company is now in serious financial difficulty. "This will have no effect on our ability to continue to do business. We have no problems in meeting our commitments. The only problem we have is in the area of digital pay-TV," he said this week.

He said the company would proceed with its plans to convert Premiere to digital technology, and that Kirch and CLT-Ufa would soon make new proposals for the development of digital pay-TV.

The burden of the Hollywood output deals will be partly refinanced by supplying the material to Premiere, which has more than 1.5m subscribers.

Mr Hahn's bullish response also masks the increasing weakness of Kirch's position.

As one of the world's biggest media groups, Bertelsmann can afford to walk away from digital pay-TV. Kirch, which gambled heavily on the project, will not find it so easy.

This was clear from the final days of negotiations with Brussels. The blocking of the deal followed a decision by Bertelsmann to pull out, as it could not accept the Commission's final demands for cable operators to be given freedom to offer pay-per-view packages using programmes owned by Premiere.

Bertelsmann said such a move would make the whole project economically unviable. Kirch, however, was prepared to accept.

Karel Van Miert, the EU competition commissioner, was reported by German news agencies as saying that when he presented his demands to the companies at an 11th-hour meeting, "Mr Kirch immediately said 'Accepted'. Mr [Michael] Dornemann [Bertelsmann's board member responsible for broadcasting] said 'I cannot accept that.'"

The decision to walk away is evidence of the increasingly ambivalent stance Bertelsmann has towards digital pay-TV. Over the last year, two rival factions have emerged within the company – those in favour of doing a deal at all costs and those who would rather see Kirch go to the wall.

The animosity towards Kirch dates back to when the two companies fought for control of the emerging digital pay-TV market. With the launch of DF-1 and most of the rights to popular US films under his belt, Mr Kirch was perceived to have dealt Bertelsmann an embarrassing blow.

The split within Bertelsmann is believed to reach into the boardroom, with Mr Dornemann leading those prepared to deal and Thomas Middelhoff, the chairman-designate, heading those who would rather let Kirch stumble over the consequences of its past mistakes, such as DF-1 and the commitments to Hollywood.

However, writing off Mr Kirch is perhaps as risky as some of the ageing tycoon's business dealings. He has gone to the brink several times only to pull himself back at the last moment.

This time, however, sceptics say Mr Kirch's age – he turned 71 last year – and lack of a clear plan for succession as factors might inhibit a grand come-back.

Lex, Page 14

Saga blames fall on low oil prices

By Tim Burt in Oslo

Saga Petroleum, Norway's largest independent oil company, yesterday blamed weak oil prices for a 55 per cent fall in first-quarter profits.

The company saw operating profits slide from NKr1.38bn to NKr618m ($81.7m) as average oil prices fell to $13.50 a barrel, compared with $19.80 in the first three months of 1997.

Diderik Schnitler, the new chief executive, described the figures as "lousy" and warned that the market was unlikely to improve significantly this year.

In the first quarter, sales fell from NKr3.13bn to NKr2.28bn, and Saga's average output declined from 183m barrels a day to 167m.

"Saga's operating income for the four-month period must be characterised as very weak, illustrating the challenges the company is facing," he said.

Mr Schnitler, recruited last year from Kvaerner, the Anglo-Norwegian engineering and shipbuilding group, has already announced plans to sell surplus licences worth up to NKr500m and reduce Saga's exploration budget by NKr300m.

He has also vowed to streamline the executive management and outsource non-core service functions.

"We have to refocus to adjust to market conditions," Mr Schnitler said.

Nevertheless, he emphasised that Saga was strong enough to continue with its NKr15bn-NKr20bn investment programme, even if oil prices did not recover in the short term.

At the pre-tax level, moreover, profits rose from NKr303m to NKr444m, and earnings per share increased to NKr2.03, from NKr0.79 last time. The figures, however, were flattered by a sharp reduction in currency losses and Mr Schnitler said they did not reflect the underlying performance.

"Because of major investments, Saga will have a significant negative cash flow in 1998," he said.

The negative cash flow in the first three months of the year reached NKr580m.

Mr Schnitler said the group was not being panicked into restructuring. Instead, he maintained that the company would improve management efficiency and concentrate on existing production activities.

"The figures are not good but we can suffer them," he said.

Israel's big banks diverge

By Avi Machlis in Jerusalem

Israel's two biggest banks yesterday reported mixed results in the first quarter, with Bank Hapoalim's net profits falling 16 per cent and Bank Leumi's net income, excluding one-off items, climbing nearly 20 per cent.

Both banks, recent favourites of foreign investors on the Tel Aviv Stock Exchange, were affected by one-off charges for streamlining and rising costs during the quarter. But analysts said results were in line with expectations.

Bank Hapoalim, the country's biggest, said net profits in the first quarter fell from Shk330m, or Shk0.27 a share, to Shk277m ($76m), or Shk0.22 a share.

Profits from financing activities before provisions from doubtful debts declined 4.5 per cent, from Shk958m to Shk914m over the same period. Hapoalim's doubtful debt provisions dropped from Shk155m to Shk136m, but profits were dragged down by a Shk40m one-off expense for an early retirement programme.

Bank Leumi, the second biggest, said net profits in the first three months, excluding one-off items, rose from Shk169m, or Shk0.12 a share, last time to Shk203m, or Shk0.14 a share.

Including capital gains of Shk476m from the sale of subsidiaries during 1997, Leumi's net profits dropped 68 per cent from Shk645m to Shk205.3m.

Ian McEwen, banking analyst for Lehman Brothers, said both banks were hit by higher operating expenses, caused by low inflation in the first quarter accompanied by nominal wage increases.

The Israeli government, which holds a 61.5 per cent stake in Leumi, is trying to find a strategic investor to take control of the bank. It also plans to sell another 5 per cent in a convertible bond offering later this year. Bank Hapoalim was privatised last year.

Telenor upbeat on Greek deal

By Kerin Hope in Athens

Telenor International, of Norway, yesterday sought to reassure markets that its mobile telephony venture with OTE, Greece's public telecoms operator, was still on track.

Telenor said reports that it planned to sell part of its 30 per cent stake in CosmOte, a joint venture which launched Greece's third cellular network in March, were "quite untrue". OTE holds the other 70 per cent.

The company said Greece's comparatively low percentage of mobile subscribers – 10 per cent of the population – "indicates there is plenty of room for a third operator in a market that lags behind other parts of southern Europe".

CosmOte's launch was delayed for six months amid reports of disagreements between the Greek and Norwegian partners.

Greece's two competing private cellular operators together have 1.2m subscribers. Panafon, controlled by Vodafone of the UK, and Stet Hellas, in which Telecom Italia holds 75 per cent, are both expected to launch public offerings later this year.

Nikos Manasis, CosmOte chief executive, said yesterday its network covered Athens and Thessaloniki, Greece's biggest cities, as well as Corfu, Halkidiki and the Saronic Gulf islands. He said Dr33bn ($107m) would be invested to extend coverage to 75 per cent of the population by December.

NEWS DIGEST

ITALY

Iri returns L2,700bn to Italian treasury

Iri, the Italian state holding company, has for the first time returned an annual dividend to its single shareholder, the Italian treasury, handing over L2,700bn ($1.5bn) in its 1997 accounts.

Iri, whose operations are expected to be wound down over the next few years as it makes a complex series of disposals, reported a profit of L5,174bn last year, against L184bn in 1996. Of this profit, 52 per cent has been returned to the treasury. Iri's profits were made up of L1,200bn from funds received from its subsidiaries and L7,000bn from a capital gain made after transferring Stet, the Telecom Italia holding company, to the Treasury.

Iri said yesterday its balance sheet reflected the "stable economic and financial equilibrium" it had achieved over the past year. The company said its net financial indebtedness had come down to L2,600bn in 1997, a reduction of L6,800bn from 1996. **James Blitz, Rome**

FRANCE

LVMH acquires Godard

LVMH, the French luxury goods group, has moved to reinforce its position in perfumes and cosmetics retailing by acquiring Marie-Jeanne Godard for an undisclosed sum. The purchase comes less than a year after the company bought Sephora, Europe's second-biggest perfumes and beauty products retailer, for FFr1.6bn ($268m). LVMH said that with 1997 sales of FFr791m, Marie-Jeanne Godard was France's second-largest selective fragrances and cosmetics retail chain after Sephora.

It said synergies would be "rapidly achieved" with Sephora, whose chairman – Daniel Richard – would be appointed chief executive of Marie-Jeanne Godard. But it pointed out that most of Marie-Jeanne Godard's 75 branded stores were in medium-sized towns and would therefore complement Sephora's network, which was mainly in larger cities. **David Owen, Paris**

GERMANY

Fresenius silent on Pharmacia

Fresenius, the acquisitive German medical equipment group, refused yesterday to comment on reports that it was close to buying the nutrition operations of Pharmacia & Upjohn, the US-Swedish pharmaceuticals group. Dagens Industri, the Swedish business daily, said the groups were in talks about a SKr3.5bn ($447m) sale.

Eva Roeing, press officer at Pharmacia & Upjohn's nutrition unit, was quoted as saying the sale of the unit could take place before mid-year. The business has turnover of about SKr3bn a year and 3,000 employees. **AFX News, Stockholm**

SWITZERLAND

Swisscom takes over UTA

Swisscom, the state-owned Swiss telecommunications company, is continuing its expansion into neighbouring countries by taking a controlling stake in United Telecom Austria.

UTA, owned by Austria's nine regional electrical utilities, is the biggest of the new competitors entering the recently liberalised Austrian telecommunications market. It has a 4,000km fibre optic network and offers a full range of telecommunications services. Swisscom is taking a 50 per cent stake in UTA plus one share, for an undisclosed price.

The deal will strengthen UTA's management and give it access to new products to help it penetrate the Austrian market more quickly. For Swisscom the deal marks a further step in its policy of home-market extension which it hopes will enable it to generate fresh revenue growth to offset the expected large drop in its share of the newly liberalised Swiss market. **William Hall, Zurich**

PROPERTY

GE Capital drops Foncier bid

GE Capital of the US yesterday withdrew from the bidding for Crédit Foncier de France, the Paris-based specialist property lender acquired by the French state and now being privatised.

GE Capital said it had decided not to make a revised offer "as it had been invited to do". The French government had said it might attempt to rejiggle the different investors which had placed bids for Crédit Foncier.

That leaves outstanding bids from GMAC Commercial Mortgage Corporation, associated with the Texan investor Bass, the French Post Office with the GMF civil service mutual fund, and the Caisse d'Epargne savings bank network.

The decision comes after GE Capital earlier this month failed to qualify for the privatisation race for GAN, the state-owned French insurer, after missing the deadline for bids. **Andrew Jack, Paris**

POLAND

Hotels group raises $43m

GHDG Poland, the Polish hotel developer, has raised $43m in debt and equity to fund the initial stage of a plan to establish the country's first foreign-branded chain of 20 hotels under a franchise from Holiday Inn Worldwide, the hotel group owned by Bass of the UK.

The funding has come from Enterprise Investors, a US investment fund, as well as the International Finance Corporation, the World Bank's private sector arm. Amerbank, a local bank which is organising a loan to back the project, is also a *minority investor. This week GHDG will be paying $11m for* the 143-room Monopol Hotel in the Baltic port of Gdansk. **Christopher Bobinski, Warsaw**

U.S. $100,000,000

Robert Fleming Netherlands B.V.

Primary Capital Undated Guaranteed Floating Rate Notes

guaranteed by

Robert Fleming Holdings Limited

Interest Rate	6.375% per annum
Interest Period	29th May 1998 30th November 1998
Interest Amount due 30th November 1998	
per U.S. $10,000 Note	U.S. $ 327.60
per U.S. $50,000 Note	U.S. $1,638.00

Credit Suisse First Boston (Europe) Ltd.
Agent

CITICORP

U.S.$350,000,000
Subordinated Floating Rate Notes Due November 27, 2035
Notice is hereby given that the Rate of Interest has been fixed at 5.7875% in respect of the Original Notes and 5.875% in respect of the Enhancement Notes, and that the interest payable on the relevant Interest Payment Date June 30, 1998 against Coupon No. 151 in respect of US$10,000 nominal of the Notes will be US$51.44 in respect of the Original Notes and US$52.22 in respect of the Enhancement Notes.

U.S.$500,000,000
Subordinated Floating Rate Notes Due October 25, 2005
Notice is hereby given that the Rate of Interest has been fixed at 5.7875% and that the interest payable on the relevant Interest Payment Date June 30, 1998 against Coupon No. 152 in respect of US$10,000 nominal of the Notes will be US$51.44.

U.S.$350,000,000
Subordinated Floating Rate Notes Due August 14, 2011
Notice is hereby given that the Rate of Interest has been fixed at 5.8125% and that the interest payable on the relevant Interest Payment Date August 28, 1998 against Coupon No. 48 in respect of US$10,000 nominal of the Notes will be US$146.93, and in respect of US$250,000 nominal of the Notes will be US$3,673.18.

May 29, 1998
By: Citibank, N.A. (Corporate Agency & Trust), Agent Bank CITIBANK

European Investment Bank
Yen 35,000,000,000
Floating rate notes due 2008
The notes will bear interest at 0.42031% per annum from 29 May 1998 to 30 November 1998. Interest payable on 30 November 1998 will amount to Yen 107,996 per Yen 50,000,000 note.
Agent: Morgan Guaranty Trust Company
JPMorgan

Wells Fargo & Company
US$200,000,000
Floating rate subordinated notes due 2000
In accordance with the provisions of the notes, notice is hereby given that for the interest period 29 May 1998 to 30 June 1998 the notes will carry an interest rate of 5.8125% per annum. Interest payable on the relevant interest payment date 30 June 1998 will amount to US$51.67 per US$10,000 note and US$258.35 per US$50,000 note.
Agent: Morgan Guaranty Trust Company
JPMorgan

First Bank System, Inc.
US$200,000,000
Subordinated floating rate notes due 2010
Notice is hereby given that for the interest period 29 May 1998 to 28 August 1998 the notes will carry an interest rate of 5.875% per annum and that the interest payable on the relevant interest payment date 28 August 1998 will amount to US$148.51 per US$10,000 note and US$3,712.67 per US$250,000 note.
Agent: Morgan Guaranty Trust Company
JPMorgan

European Investment Bank
Yen Debt Issuance Programme
Yen 50,000,000,000
Floating rate notes due 2000
The notes will bear interest at 1.47031% per annum from 29 May 1998 to 30 November 1998. Interest payable on 30 November 1998 will amount to Yen 755,575 per Yen 100,000,000 note.
Agent: Morgan Guaranty Trust Company
JPMorgan

هكذا من الأصل

INSURANCE GROUPAMA CLAIMS STATE-OWNED GROUP REQUIRES SUBSTANTIAL PROVISIONS AND NEW INVESTMENT

Bidder says GAN requires up to FFr10bn

By Andrew Jack in Paris

GAN, the French state-owned insurance company, requires a recapitalisation of between FFr5bn and FFr10bn ($837m-$1.7bn), one of the candidates in the bid for its privatisation claimed yesterday.

Groupama, the mutual insurance group, suggested GAN needed substantial additional provisions, as well as money for new investment and a review of the way in which its capital is held.

Speaking at the group's 1997 results presentation, Gilles Laporte, deputy managing director, also said there was a need to transfer the residual shares of CIC, GAN's recently privatised banking subsidiary, out of its life assurance division, which he called "not the most appropriate place".

He would not comment on the value of Groupama's bid for GAN, which was formally submitted to the government on May 14. Nor would he respond to reports of the amount of capital it planned to invest in GAN.

However, Groupama's offer is believed to include a proposal to inject about FFr5bn in capital, with additional investments in the form of retained profits earned by GAN over the next few years.

Mr Laporte said Groupama had no debt, and would be in a position to finance the GAN acquisition from its own reserves.

He added that Groupama had more capital than necessary to support its existing insurance activities, which he said explained why its return on capital – at 5.4 per cent for 1997 – was low compared with France's commercial insurers.

The French government began the privatisation process for GAN last year in accordance with conditions set by the European competition authorities in Brussels for approval of a FFr24bn state rescue plan.

Groupama's bid for GAN is likely to be well received by the government, which indicated its support for the country's mutual sector by awarding the sale of a two-thirds stake in CIC to Crédit Mutuel at the end of April.

A Groupama purchase would also allow GAN to remain in French control, at a time of growing concern about foreign ownership following the friendly takeover last year of the insurer AGF by Allianz of Germany in response to a hostile bid from Generali of Italy.

Formal bids for GAN closed in mid-May, with GE Capital of the US – which had studied an offer seriously – failing to submit an offer in time. That left the European group Eureko, Swiss Life and AIG of the US as rival candidates.

A decision is due in the second half of June.

Groupama reported 1997 net income up 7 per cent at FFr1.5bn, on turnover up 3 per cent at FFr36.6bn.

SPAIN TELECOMS LICENCE AWARDED

French-led team to invest Pta207bn

By Tom Burns in Madrid

A consortium controlled by France Telecom said yesterday it planned to invest Pta207bn ($1.37bn) over the next 10 years to develop fixed-line telephony services in Spain.

The country's newest operator will be competing with Telefónica, the former state monopoly, and Retevisión, a provider managed by Telecom Italia which launched its fixed-line services earlier this year.

Lince, a consortium which is 69 per cent owned by France Telecom, was the sole bidder for the third, and final, fixed licence to be awarded by the Madrid government under its deregulation programme for the telecoms sector.

Last year the French operator was beaten by the Retevisión consortium when it bid for the second fixed licence. Three years ago, when the government began to liberalise the industry, it failed to win a cellphone licence.

The French operator said it would begin to offer services after the summer and aimed to capture a 7.4 per cent share of the domestic market by 2007.

Retevisión has a target of a 10 per cent market share by the same year.

However, the prospects of the Italian and the French groups expanding their reach in the Spanish telecoms sector rely on a third cellphone licence, to be awarded at the end of next month.

The new mobile licence holder will compete with the existing cellular services operated by Telefónica and by Airtel, a carrier backed by British Telecommunications and AirTouch, of the US.

Both Telecom Italia, through a consortium called Retevisión Móvil, and France Telecom, leading a grouping called Alas, will be competing for the third licence.

Telecom Italia's consortium is reported to have placed a larger bid for the licence, but officials say it will be awarded according to the technical merits of the rival bids.

To accommodate both operators, the government is understood to be considering the award of a fourth mobile licence at the end of this year.

It also has a declared interest in the growth of Retevisión as a global operator because it owns a 30 per cent stake, which it plans to sell after the summer.

Nevertheless, the government acknowledges that France is Spain's biggest trading partner and is anxious to reward the French operator's persistent efforts to break into the Spanish market.

EdP in strategic Iberdrola alliance

By Peter Wise in Lisbon

Electricidade de Portugal, the national power utility, and Iberdrola, Spain's second largest electricity company, have agreed a strategic partnership that will involve each buying 2.25 per cent of the other's capital.

Iberdrola will acquire the EdP stake, worth about Es65.9bn ($361m) at current prices, at the price fixed by the Portuguese government for a global offering of up to 15.5 per cent, expected to be concluded on June 29.

Analysts say Iberdrola already owns about 1 per cent of EdP, bought on the market after an initial public offering of 30 per cent of the Portuguese group last June.

Joaquim Pina Moura, Portugal's economy minister, said EdP was also seeking a second European partner from outside the Iberian peninsula, which is expected to acquire 2.25 per cent of EdP.

However, analysts said if agreement could not be reached with a second partner soon, the government may decide to lift the EdP offering to 17.75 per cent.

EdP had been talking to RWE, but the German power group was reluctant to buy EdP stock at close to market value, a Lisbon analyst said. EdP shares, which closed yesterday at Es4,884, up 2.4 per cent, have more than doubled in the past year.

EdP is now understood to be in talks with Tractebel, the Belgian utilities group.

Mr Pina Moura said EdP and Iberdrola planned to make joint investments in electricity production and would co-operate in the management of water resources for hydro-electric plants in Spain and Portugal.

They also planned a joint strategy for expansion in Latin American markets, particularly Brazil, he said. Iberdrola has announced plans to invest $2.5bn abroad over the next four years and has already made large investments in Brazil.

But analysts said EdP's partnership with Iberdrola threw doubt on the future of its joint investments in Brazil with Endesa, the biggest Spanish power company. These include the joint purchase of a controlling stake in Companhia de Electricidade de Rio de Janeiro, a power distribution company.

Strategic partnership talks broke down between EdP and Endesa. The Portuguese government is thought to have decided against allying state-controlled EdP to a much bigger and expansive Spanish group such as Endesa.

Volvo unveils 'cornerstone' new model

Summer fun: the S80 will be available from August AP

By Tim Burt

Volvo, the Swedish automotive group, yesterday unveiled its new large car platform – the S80 – following four years of development costing an estimated SKr30bn ($3.8bn).

Leif Johansson, chief executive, described the car as a "vital cornerstone" in Volvo's strategy of focusing on two core platforms and increasing production from 390,000 units last year to 500,000.

Mr Johansson also predicted that the S80 could soon account for more than half the turnover in Volvo's car division, which reached SKr96.5bn last year.

The company has set a target of producing 100,000 of the new models next year.

"It should have a positive impact on our margins because we will be able to develop more models from this platform on a lower cost base," said Mr Johansson.

In the first three months of this year, production development and tooling costs associated with the launch of the S80 helped reduce operating income from SKr1.07bn to SKr915m in the car division, where margins shrank from 4.6 per cent to 3.6 per cent.

Mr Johansson has set a target of between 5 per cent and 7 per cent for the group.

The S80, to be produced at Volvo's Torslanda plant in southern Sweden, is expected to contribute to increased profitability by relying on 70 fewer suppliers than its predecessor, the S90 series.

The suppliers include Volkswagen, of Germany, which is providing diesel engines for the S80 range.

Mr Johansson emphasised that Volvo was not looking to develop such relationships into a deeper partnership or merger, adding that the merger of Daimler-Benz and Chrysler posed little threat to the Swedish group.

Cofir gains SEC approval for ADR issue

By Tom Baros

Cofir, the Spanish hotels and wines group which pioneered widely held stock ownership on the Madrid Bolsa, is poised to broaden its shareholder base by issuing American Depositary Receipts for US investors.

Gabriele Burgio, chief executive, said yesterday the group had won approval from the Securities and Exchange Commission to trade in unlisted, over-the-counter depositary receipts known as Level 1 ADRs.

Only a handful of Spanish companies – among them the insurer Mapfre, and Bankinter, the bank – have used this instrument. Cofir's move is likely to be closely watched by other domestic groups trading in Madrid.

The group's ADR strategy has been structured by Bank of New York.

Launched as a diversified holding company 10 years ago by Carlo de Benedetti, the Italian financier, Cofir streamlined its business to concentrate on upmarket Rioja wines and city hotels in Spain after Mr Benedetti sold his 48 per cent stake in 1996 to a large group of international institutions for Pta16.2bn ($107m). Cofir has a current market capitalisation of Pta190bn.

Mr Burgio said Cofir's profile was suited to the ADR market because its widely distributed shares had a high trading volume. He said the group had potential for investor appeal because it was committed to delivering shareholder value and was supervised by a board of outside directors.

Cofir is to seek shareholder backing at an extraordinary meeting today for an unspecified capital increase via a convertible bond issue and for a reduction in the nominal value of its shares from Pta400 to Pta350.

Mr Burgio said he wanted approval for the bond issue because Cofir lacked efficient growth instruments.

The group's 67-unit hotel chain, NH Hoteles, is ahead of target in its 15 per cent annual growth strategy to 2001, and Mr Burgio wants to partly finance acquisitions of small family-owned hotel groups with securities.

Proceeds from the nominal share reduction will be put aside to write off goodwill.

Last year, the group acquired the 34 per cent of NH it did not own from the chain's founder. It also reinforced its wine holding by purchasing new assets in Spain and investing in Argentine wineries.

Cofir lifted its 1997 pre-tax profits 62 per cent to Pta7bn. For the first quarter this year they were ahead 150 per cent to Pta1.5bn. The group's earnings have been boosted over the past year by growth at Sotogrande, a golf and marina resort near Gibraltar in which it has a 37 per cent stake.

Kleinwort Benson Group plc
(formerly Kleinwort Benson Lonsdale plc)
U.S. $100,000,000
Primary Capital Undated Floating Rate Notes
U.S. $125,000,000
Primary Capital Undated Floating Rate Notes (Series Two)
For the Interest Period May 29, 1998 to November 30, 1998 all the above Notes will carry a Rate of Interest of 6.125% per annum with a coupon amount of U.S. $314.76.
By: The Chase Manhattan Bank London, Agent Bank
May 29, 1998

Notice to the Holders of
ENTE NAZIONALE PER L'ENERGIA ELETTRICA (ENEL)
Italian Lira 400 Billion Floating Rate Notes Due 1999
Coupon Nº 18 for the period May 28, 1998 to Nov 30, 1998 will be payable starting Nov 30, 1998 at the rate of 4.75%.
ITL 122,708.- per note of ITL 5,000,000 Nominal
ITL 1,227,083.- per note of ITL 50,000,000 Nominal
May 27 1998
SANPAOLO BANK S.A. Luxembourg Agent Bank

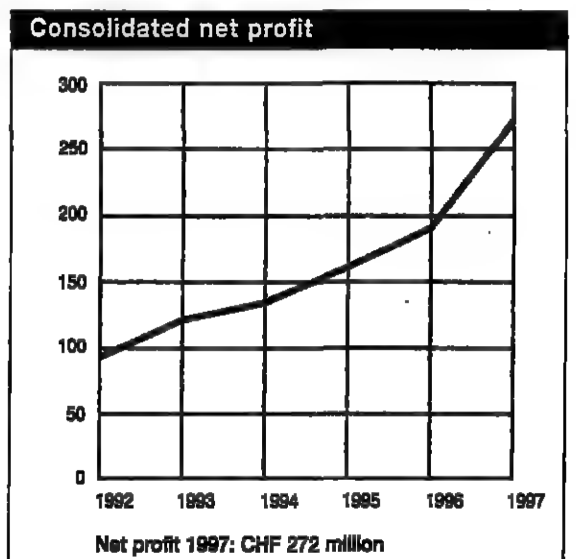
Wells Fargo & Company
US$200,000,000
Floating rate subordinated capital notes due 1998
The notes will bear interest at 5.8125% per annum for the interest period 29 May 1998 to 31 July 1998. Interest payable on 31 July 1998 will amount to US$101.72 per US$10,000 note.
Agent: Morgan Guaranty Trust Company
JPMorgan

Den norske Bank
Primary Capital Perpetual Floating Rate Notes
In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from May 29, 1998 to August 28, 1998 the Notes will carry an Interest Rate of 5.9375% p.a. and the Coupon Amount per U.S.$10,000 will be U.S.$150.09.
May 29, 1998, London
By: Citibank, N.A. (Corporate Agency and Trust), Agent Bank CITIBANK

US $125,000,000
Banque Paribas
Subordinated Collared Floating Rate Notes due 2005
For the period from May 29, 1998 to November 30, 1998 the Notes will carry an interest rate of 5.80% per annum with an interest amount of US$29.26 per US$1,000 Note.
The relevant interest payment date will be November 30, 1998.
Agent Bank:
BANQUE PARIBAS

Baloise Insurance

The outcome of an extraordinarily successful business year: an increase in profits of 42 per cent to 272 million Francs – the largest increase in the company's history.



Net profit 1997: CHF 272 million

Leap in profits

The Baloise Insurance Group, founded 1863, is today active in all insurance lines and is one of the 30 largest insurance companies in Europe. It is a leading insurer in Switzerland where every second household has taken out one or more insurance policies with the Baloise. The Group has more than 7,600 employees.

As a principal supplier of insurance services to European markets, respected by competitors and the financial markets alike, the Baloise Insurance Group is committed to lasting profitability and steady growth. To ensure that it remains attractive for customers, shareholders and the labor market, it consistently encourages dynamic and creative employees with the will to get ahead, to work in teams, and to take the decisions and risks that will be necessary in the future business world.

Through its strategic realignment – the concentration on central European core markets – the Baloise offers its partners a safe investment and its insurance customers an unbureaucratic and professional service. This ensures that the Group consolidates its position in national and international markets.

The Baloise Insurance Group, one of the leading Swiss general insurance companies in life and nonlife lines, produced an extraordinarily good result in 1997: consolidated net profit rose by 42 per cent to 272 million Francs, profit per share by 45 per cent. The goal of doubling Group results from 120 to 240 million Francs between 1993 and 1998 was, therefore, already exceeded in 1997.

Decisive for this encouraging development were, on the one hand, a successful investment policy, and on the other, the concentration of Group insurance business in core markets in Central Europe. Baloise Insurance Group gross premium volume fell to 6.6 billion Francs, principally through the sale of business units that had become strategically unimportant.

The strategic realignment, the strengthening of Group profitability and the active management of shareholders' equity have received increasingly positive recognition in stock markets. Market capitalization grew by almost 90 per cent in 1997 and the value of registered shares doubled. In annual performance terms, the Baloise placed second in the SMI index of major Swiss stocks.

In view of the stronger than average shareholders' equity base of 4.8 billion Francs, the Baloise proposes a further repurchase of shares in the amount of approximately 300 million Francs.

The shareholder-friendly dividend policy of Bâloise-Holding continues in fiscal year 1997/98. The proposed dividend of 42 Francs per share is higher than the nominal value repayment of 1996 and exceeds the dividend paid two years ago by 79 per cent.

Rolf Schäuble
Chairman of the Board of Directors of Bâloise-Holding

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NOTICE OF EARLY REDEMPTION

Olivetti International N.V.
(the "Issuer")

Lire 300,000,000,000
3.75% Guaranteed Convertible Notes due 1999
(the "Notes")

NOTICE IS HEREBY GIVEN to holders of the Notes (the "Noteholders") that, all of the outstanding Notes will be redeemed by the Issuer on June 30, 1998 (the "Redemption Date"), pursuant to Condition 9(2) of the Terms and Conditions of the Notes. The Notes will be redeemed at a redemption amount of 118.0220% per cent. reflecting, on the Redemption Date, the yield to the Redemption Date on the Notes equal to 7.75 per cent. of their initial nominal amount, based on a constant rate of interest, together in each case with interest accrued to the Redemption Date, and a Redemption Premium of 0.75 per cent. Interest shall cease to accrue on and from the Redemption Date.

Payment of principal and interest on the Notes will be made to the person shown on the Register at the close of business on the *fifteenth calendar day before the due date for payment thereof.*

Noteholders are reminded that in accordance with Condition 8(1) of the Notes, the right to convert any note shall terminate at the close of business on June 22, 1998 and that, prior to such time rights of conversion attaching to the Notes may be exercised by Noteholders in accordance with the practices and procedures of Cedel and Euroclear.

As of May 26, 1998 the closing price of one ordinary share of Olivetti S.p.A. was Lire 2,647. Upon conversion of Lire 10,000,000 principal amount of Notes a holder will receive 2,770 ordinary shares and assuming a closing price of Lire 2,647 on the conversion date, a holder will receive shares worth Lire 7,332,190. In contrast, if such holder were to elect to have his Notes redeemed, he will receive Lire 12,064,700 for each Lire 10,000,000 principal amount of Notes, which amount includes accrued interest to the Redemption Date and the Redemption Premium. The value received by converting Notes into ordinary shares is subject to change, based on changes in the market value of the ordinary shares.

REGISTRAR, PRINCIPAL CONVERSION AND TRANSFER AGENT
Morgan Guaranty Trust Company of New York
60 Victoria Embankment
London EC4Y 0JP

CONVERSION AND TRANSFER AGENTS
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10A Boulevard Royal
L-2093 Luxembourg

Morgan Guaranty Trust Company of New York
Avenue des Arts 35
B-1040 Brussels

TRUSTEE
The Law Debenture Trust Corporation p.l.c.
Princes House, 95 Gresham Street
London EC2V 7LY

OLIVETTI INTERNATIONAL N.V.
By: Morgan Guaranty Trust Company of New York
as Registrar
Dated: May 29, 1998

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Cable and Wireless at net top table

By Alan Cane

Cable and Wireless saw off US competition to buy the internet backbone business of MCI by moving fast – it stitched together the deal in just 18 days. "This deal had to be done fast," said Richard Brown, the UK telecommunications company's chief executive.

MCI and WorldCom, seeking to gain rapid approval for their merger, were less concerned with price than with selling to an established, capable operator who regulators in the US and Europe would trust to use the assets to build a competitive position in internet services.

For C&W, it was a golden opportunity to build up its internet business – it is already strong in the Asia-Pacific region – while strengthening its US presence. "This was a clever way to get there without buying an elephant," Mr Brown mused, contemplating the inflated prices US telecoms companies command at present.

For the $625m C&W is paying MCI, it gets a business with assets worth about $100m, 1,300 US domestic and international customers and a projected turnover of $220m this year. To put that in perspective, MCI data transmission business this year including internet services will amount to about $3bn.

It is not a business MCI wanted to give up from choice: "This is not exactly a happy day for us," one executive said, pointing out that the US company was a pioneer of networks which use the internet protocol – the sets of rules which make it possible for information to be transmitted across a variety of computer networks.

It is now generally accepted that communications networks of the future will use efficient and cost effective internet technology rather than the present voice systems which tie up expensive channel capacity while conversations are in progress.

MCI is selling C&W its 22 domestic "nodes", essentially computer systems that manage and direct internet traffic, together with 15,000 "interconnection ports" or channels to customers: "To have 15,000 puts us in the big league," said Stephen Pettit, C&W executive director for Europe.

C&W has, in fact, bought itself a place at the US internet top table, the first European operator to do so. "Now Europe has its own Internet champion," one MCI executive said, a little bitterly.

SUPPORT SERVICES TALKS ON SALE OF DRY-CLEANING AND PHOTO-PROCESSING SIDES

Chief to leave if Sketchley sells

By Andrew Edgecliffe-Johnson

John Jackson, chief executive of Sketchley, is expected to leave the group if it succeeds in selling its dry-cleaning and SupaSnaps photo-processing arms.

It is understood that Sketchley is in sole negotiations with UBS Capital, the owner of the Mr Minit chain of heel bars and key-cutting shops, about the sale of its retail division.

A deal should come before the end of June, when Sketchley is expected to announce its full-year results, but no sale is likely to be concluded within the next fortnight.

The headline sale price is expected to be less than £10m ($17m), but the real price may be even lower. Sketchley has been most concerned to structure the sale so as to minimise the risk that the potentially crippling liability of the shop's leases could revert to it if the buyer were to run into trouble.

It emerged yesterday that NatWest Equity Partners, which had pursued the retail division, has pulled out. Alan Lewis, a director of the private equity group's regional business, said: "Our core business is investing £10m to £100m. It was always going to be a marginal proposal on pure size grounds.

"Every time we looked at it and took a view on value, it became more and more marginal. We took the view we had better things todo."

NatWest Equity Partners is the second group to withdraw after taking a close look at the retail business. Sketchley, which has been trying to sell the division for about 18 months, held discussions last year with Cinven, the venture capital group.

Both are thought to have been deterred by the trading conditions experienced by the shop chains and the quality of the properties.

The retail division reported a £2.33m loss last year, but was cash generative. Some analysts have raised questions about the impact on Sketchley's more cash-hungry divisions if the retail business is sold.

The textile services division and ARM, a utility servicing business which Sketchley bought for £29m in 1997, may still attract an offer from an unnamed party, thought to be fronted by Arthur Andersen, which approached Sketchley about a full bid in January.

Sketchley's shares have fallen 65 per cent behind the FTSE All Share index in the past 18 months.

Mr Jackson joined Sketchley in 1994, having spearheaded Richard Branson's unsuccessful bid to run the National Lottery and managed the UK operations of Body Shop.

One shareholder with a stake of more than 10 per cent said yesterday that he had been "deeply disappointed" by the company's performance.

R-R sticks on licensing name

By Andrew Edgecliffe-Johnson

Rolls-Royce, the aero-engine maker, has scotched hopes that it will easily change its position on licensing the Rolls-Royce name to the eventual buyer of the Vickers-owned luxury car group.

Rolls-Royce said yesterday it had held "no further discussions regarding the use of the name," with either Volkswagen or BMW, the rival bidders for Rolls-Royce Motor Cars.

The company, which owns the Rolls-Royce name and trade marks has made plain its preference for BMW, which has offered £340m ($568m) for the car business, over VW, which has tabled a £430m bid.

Sir Colin Chandler, Rolls-Royce chairman, faced several questions about the issue at yesterday's annual meeting. In reply, he said: "Rolls-Royce plc is confident that it would be able to conclude a definitive agreement with BMW for the use and protection of the Rolls-Royce name and trade marks."

He added, however, that reports "that suitable arrangements could be reached with other companies are entirely speculative."

Rolls-Royce is now waiting for June 5, when Vickers will put the two rival bids to shareholders at an extraordinary meeting.

It said yesterday that "it should not be taken for granted" that it will give its blessing to a takeover by VW, which earlier this week said that the continuation of the Rolls-Royce brand on luxury cars was "probably more important for the image of the aero-engine maker than vice-versa."

Rolls-Royce stressed that it would act in the best interests of its shareholders in seeking to protect the marque. Sir Colin said the name was a key asset, and: "It is of paramount importance that we safeguard its future, particularly in respect of its use on motor cars."

Vickers reiterated that it had been advised that the 1973 agreement under which Rolls-Royce plc controls the name "is anti-competitive in today's environment, and against the Treaty of Rome".

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Dialog Corp	3 mths to Mar 31	44.8	(6.75)	1.85♠	(2.35♥)	1	(1.3)	-	-	-	-	-
JKX Oil & Gas	Yr to Dec 31	31.2	(15)	3.3L♠	(2.41L)	4.18L†	(3.54L)	-	-	-	-	-
LIG	Yr to Mar 31	344.8	(339.2)	28.8♠	(29.5♥)	5.04	(5.5)	2.4*	Aug 21	2.1	3.2	2.8
Mid Kent	Yr to Mar 31	42.3	(41)	15.3♠	(13.8♥)	71.6	(59.6)	19.8	July 21	15	33	30
Pillar Property	Yr to Mar 31	71.5	(47.5)	20.7	(10.2)	10.8†	(8.3)	4	July 24	3.4	5.8	5
PolyDoc ɸ	Yr to Dec 31	0.241	(0.625)	1.59L	(0.544L)	8.21†	(3.8L)	-	-	-	-	-
PWS	6 mths to Mar 31	5.77	(5.71)	0.812♠	(0.532♠)	1.58	(1.16)	0.3	Aug 3	0.3	-	0.75
SEP Industrial	6 mths to Mar 31	29.9	(27.8)	1.35	(1.03♠)	0.92†	(0.71)	0.5	Oct 1	0.45	-	1.25
Smart (J) Contract	6 mths to Jan 31	7.1	(9.35)	1.19	(1.2)	11.77	(11.89)	2.7	July 13	2.6	-	9.8
South West Water	Yr to Mar 31	382.1	(343.8)	108.6♠	(132.6♥)	7.9L†‡	(92.1)	27.8	Aug 17	24.9	41	38.7
Stakis	6 mths to Mar 29	161	(141.1)	35.1♠	(22.2♥)	3.78	(2.84)	1.25	Sept 3	1.05	-	2.5
United Utilities	Yr to Mar 31	2,150	(2,377)	467.3♥	(283.9♠)	5.6†‡	(44.9)	29	April 6	25.2	42.16	37.2
Wyndeham Press	Yr to Mar 31	71.9	(58.7)	10.2	(8.51♥)	19†	(17.1)	4	Aug 19	3.2	6.2	5.1

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Value Realisation	Yr to Mar 31	172.3	(120.2)	1.04	(1.11)	1.1	(1.2)	1.2	July 3	-	1.7	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ɸAim stock. *Foreign income dividend. ‡Includes windfall tax.

Dawson Intl puts itself up for sale

By James Buxton

Dawson International, the Scottish-based textile group which includes the Pringle and Barrie knitwear brands as well as yarn spinners, has put itself up for sale and said it would consider offers.

The announcement came as the group warned of sharply reduced profits as a result of severe trading conditions in its main markets and problems in its US operations.

Dawson shares shed 7½p to 45½p yesterday.

The company will be announcing substantial redundancies in the UK, where it employs about 3,500 people.

Derek Finlay, chairman, said Dawson's order books were collapsing because of the strong pound.

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29th May, 1998

U.S. $34,000,000
BANCA SERFIN, S.A.
Floating Rate Notes due 2004

For the interest period from May 29, 1998 to November 30, 1998 the rate has been determined at 6.75% per annum. The amount payable on November 30, 1998 per U.S. $500,000 principal amount of Notes will be U.S. $17,343.75.

By: The Chase Manhattan Bank
London, Agent Bank
May 29, 1998
CHASE

ECU 200,000,000
Caisse Française de Développement
[illegible]
Caisse Centrale de Coopération Economique
Floating Rate Notes due 2006

For the period from May 29, 1998 to August 31, 1998 the Notes will carry an interest rate of 4.14746% per annum with an interest amount of ECU 108.59 per ECU 10,000 and of ECU 1,085.95 per ECU 100,000 Note.
The relevant interest payment date will be August 31, 1998.

Agent Bank
BANQUE PARIBAS

DRESNER RCM EUROPEAN BOND FUND
Registered Office:
Central Parc 33, boulevard du Prince Henri, L-1724 Luxembourg

NOTICE

The Board of Directors resolves that Dresner RCM European Bond Fund will distribute a dividend out of the net income from investments which according to the shares outstanding should result in a dividend per share of ECU 1.0. Value date of dividend is the 19th March, 1998.

Paying agent: Sakura Bank (Luxembourg) S.A.
Central Parc 33, boulevard du Prince Henri,
L-1724 Luxembourg

The Board of Directors

U.S. $53,000,000
BANCA SERFIN, S.A.
Floating Rate Notes due 2000

For the interest period from May 29, 1998 to November 30, 1998 the rate has been determined at 6.75% per annum. The amount payable on November 30, 1998 per U.S. $500,000 principal amount of Notes will be U.S. $17,343.75.

By: The Chase Manhattan Bank
London, Agent Bank
May 29, 1998
CHASE

U.S. $600,000,000
Lloyds Bank Plc
(Incorporated in England with limited liability)
Primary Capital Undated Floating Rate Notes (Series 2)

For the three months, May 29, 1998 to August 28, 1998, the Notes will carry an interest rate of 5.875% p.a. with a Coupon Amount of U.S. $148.51 payable on August 28, 1998.

By: The Chase Manhattan Bank
London, Agent Bank

Euroventa

Article 17 of the Management Regulations was given the following version:

Article 17: Investment Policy
The investment objective is the [illegible] of a return in DEM. The fund's assets are invested mainly in bonds, convertible bonds and other fixed-income securities which are dominated in the currency of a member state of the European Union.

Luxembourg, in May 1998.

SB Investment Management S.A.

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United Utilities to delay dividend

By Andrew Taylor, Utilities Correspondent

United Utilities, the water, electricity, gas and telecommunications group, is proposing to delay payment of its final dividend until after April 6 next year to avoid advanced corporation tax (ACT).

The government plans to abolish ACT for dividends paid after the current financial year.

United proposes to increase its final dividend of 27.64p by a further 1.36p to compensate shareholders for the delay. It is also offering a share alternative through Dresdner Kleinwort Benson for shareholders wanting earlier payment.

Ladbroke leisure group announced a similar delayed payment scheme in March.

Water companies, because of their high capital investment, pay little mainstream tax against which to reclaim ACT. Other groups have restructured their equity to avoid ACT but United is the first water company to announce a delayed dividend payment.

The group, formed in 1995 by the merger of North West Water and Norweb electricity supply company, increased pre-tax profits before exceptional items to £460.5m (£444m). The figures excluded windfall tax of £414.8m. The results were better than expected and the shares rose 9½p to 828p. Derek Green, chief executive, said future growth would come from expanding the domestic customer base as electricity and gas markets opened to competition, and from its investments overseas and in telecommunications.

He was encouraged by Norweb's technology which permitted high speed transmission of data along existing electricity cables. This would allow homes to be connected to the internet at a low cost.

The company's lower rate of return on regulated water assets should also mean that it will be less hard hit than some in the next price round.

Earnings per share before exceptionals increased to 81.9p (77.2p).

The total dividend, before the enhancement for late payment, is increased to 40.8p (37.2p)

Forecasted pre-tax profits of £484m in the current year place the shares on a prospective p/e of almost 10. The stock is more attractive than some in a difficult sector.

Hillsdown in talks with Unigate

By John Willman

Unigate, the food and distribution group, was last night locked in negotiations with Hillsdown over the terms of an agreed bid for the food, housebuilding and furniture conglomerate.

The two companies issued a joint statement yesterday saying they were in talks about a full bid at a price of 217p a share, valuing Hillsdown at £1.59bn ($2.65bn).

This resumed talks broken off earlier in the year over an offer by Unigate at 207p a share which Hillsdown refused to reccomend.

Sources close to the negotiations said there was a better than even chance of a deal being struck in time for an announcement this morning. Talks could drag on however, into the weekend.

Hillsdown is thought to be happy with the price, which is above most analysts' expectations of between 190p and 210p a share. It is also above the 210p price of the 1991 rights issue which started the shares' decline.

"The fact that it has agreed to talk suggests they think the offer is as good as it gets," said one analyst.

Hillsdown unveiled a break-up plan three weeks ago that would have led to the flotation of the Fairview housebuilding subsidiary and the chilled food business.

Hillsdown shares rose 8p to 206½p, up from 185½p two weeks ago when the possibility of a deal first emerged. But Unigate's shares fell 16p to 636½p.

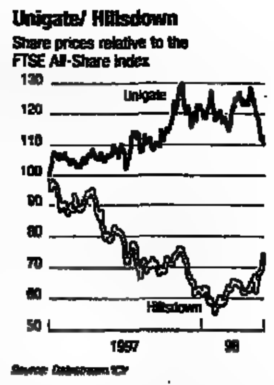
COMMENT

Unigate/Hillsdown

Unigate has been itching to do a big deal. But Hillsdown, which is bigger than Unigate and rather tarnished, can hardly be what its shareholders had in mind. Coupled with a balance sheet revolution, it is no wonder the prospective deal has frightened them. They should calm down. It is reasonable for Unigate to be interested in another big food supplier to UK supermarkets. The main questions are whether Unigate's management is taking on a sow's ear at the heart of Hillsdown; and whether it can afford it. The answer to the second question is yes. The first one is trickier, but at the price being discussed it looks worth the gamble. Including debt, Hillsdown would cost nearly £2bn – about three-quarters of 1997 sales. If the offer to shareholders were mainly in cash, Unigate would emerge with roughly £1.3bn of debt. Combined operating profits of about £350m next year would give interest cover of 3½-4 times. And borrowings could be rapidly cut by nearly 40 per cent through disposals.

Unigate/ Hillsdown

Share prices relative to the FTSE All-Share index



Source: Datastream/ICV

What shareholders will be asking themselves in sanctioning a £600m-£700m equity issue is whether this is the best deal Unigate can do. The trouble is that the obvious alternative, buying a business with much better brands, would be very expensive. And doing nothing would leave an unexciting earnings outlook.

Delaying dividends

It is a trickle now, but the latest financial engineering wheeze – as demonstrated by United Utilities – could well catch on. It, like Ladbroke before it, is delaying payment of its final dividend so that the payout occurs after the abolition of advance corporation tax next year.

Both these companies already have large ACT surpluses – over £200m in the case of United Utilities, which it will not be able to recover fully before ACT is scrapped. So adding to the pile through distribution of dividends now would be a waste.

Both companies are compensating shareholders for the wait, and more than simply by the interest foregone. Shareholders thirsting for the cash can still take the original dividend in shares and sell them for cash, free of commission. Other companies with big ACT surpluses should follow suit. By doing so they would reap an early benefit from the welcome abolition of ACT.

LIG seeks overseas buy

Closure of Italian plant, at cost of £15m, marks end of rationalisation

By Jonathan Guthrie

London International Group, the maker of Durex condoms and Marigold rubber gloves, is seeking a big acquisition to bolster its stable of condom brands. The company wants to buy a strong brand in a market where it has a relatively low market share, such as south-east Asia or the US.

Nick Hodges, chief executive, said the company was ready to take gearing well above the current level of 80 per cent, also an informal ceiling for indebtedness, for the right opportunity. He said: "The value of this business is in brands, not in the balance sheet.

LIG yesterday announced the closure of its plant in Italy, marking the end of a rationalisation in which it has concentrated latex condom manufacturing on low-cost factories in Spain, the US, India and Thailand. It will make a £15m provision for the closure, to be taken in the 1998-99 accounts.

Pre-tax profits for the year to March 31 slid 2 per cent to £28.8m. This was the result of a £12m exceptional charge on the disposal of Cook Bates, the US manicure implements business. The company is keen to focus on what it sees as its core business of condoms and rubber gloves, but said it would continue to sell health and beauty products in some EU markets because this helped sales staff gain access to independent pharmacies.

Underlying profits rose 15 per cent to £40.8m. Sales grew to £344.8m (£339.2m). A final dividend of 2.4p makes 3.2p (2.8p), payable from earnings per share 0.46p lower at 5.04p.

Salomon Smith Barney, the broker, raised its 1999 profits forecast £1m to £47m. The shares jumped 15½p to 212½p.

Nick Hodges: the value of the business is in brands

No new chief at SW Water

By Andrew Taylor

South West Water, which is changing its name to Pennon, has dropped plans to appoint a new chief executive. The company had been looking for a chief exective since Keith Court, the previous chairman and chief executive retired in March last year.

Ken Harvey, the non-executive chairman, said yesterday the company had decided to continue with recent arrangements under which day to day management was the responsibility of two divisional chief executives.

Bob Baty will remain chief executive of the water business which will retain the name South West Water. Colin Drummond will stay as chief executive of the company's growing non water businesses in a division which has been renamed Viridor and which includes the country's largest waste management operation.

Mr Harvey, a former chairman and chief executive of Norweb, the regional electricity company, will stay as non-executive chairman.

The name change was announced as the company reported a small rise in pre-tax profits before exceptionals to £121.6m ($203m) for the 12 months to the end of March.

Pre-tax profits fell 20 per cent to £106.6m (£132.6m) after exceptionals which included provisions for restructuring the water business.The pre-tax figures excluded a windfall tax of £104m.

Operating profits for the water businesses rose only slightly before exceptionals to £125.2m (£121.3m) with turnover flat due to customer rebates costing £10m and increased use of metering.

Proton lifts stake in Lotus

By John Griffiths in London and Sheila McNulty in Singapore

Proton, Malaysia's national carmaker, is raising its stake in Group Lotus International to 80 per cent by buying the 16.25 per cent personal holding in the UK sports car and engineering concern of Yahaya Ahmad, Proton's late chairman, who was killed with his wife in a helicopter crash last year.

Proton is buying the Yahaya estate's holding of 1.625m shares for 100p a share, valuing Lotus at £61.5m ($103m). In doing so, it is confounding speculation in the UK that it was planning a sale of Lotus to concentrate on the deep problems Proton faces in its own market in the wake of the Asia-Pacific financial crisis.

The deal leaves Italian entrepreneur Romano Artioli, who bought Lotus in the early 1990s, with the 20 per cent stake he retained after selling four-fifths of the company to Proton and Yayaha for £50m.

More board meets to decide on US offer

By Andrew Edgecliffe-Johnson

The board of More Group will meet today to decide whether to withdraw its recommendation of Clear Channel's £475m bid, after a meeting with Decaux yesterday failed to clear up the confusion about its rival suitor's proposal.

Jean-Francois Decaux claimed last night that More's directors, led by chief executive Roger Parry, were "looking for excuses" not to withdraw their recommendation of the US group, in favour of Decaux.

The French group said this week it would bid £522m if it were cleared to do so by a Monopolies and Mergers Commission investigation.

Mr Parry said: "We have to deliver our shareholders the right balance of certainty and cash. The Decaux proposal has a lot of uncertainty and fuzziness."

He added: "We were trying to get clarity, but we haven't succeeded in that."

During the three-hour meeting, the More camp pressed for more detail on why Decaux believed it would get MMC clearance, why it had attached provisos to its proposal, and whether it would make disposalsif the MMC demanded them.

Mr Decaux said the conditions – under which it would withdraw its provisional £12.20 per share offer if the FTSE All-Share index dropped by more than 10 per cent or if it did notfind the MMC's terms acceptable – were "perfectly normal."

Mr Parry said the meeting, attended by more than 20 executives, bankers and lawyers, was "cordial and professional," but Mr Decaux complained that the atmosphere was "very cold".

The Decaux team, which arrived by minibus, was not offered any tea or coffee, he said.

PAN-HOLDING

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Ladies and Gentlemen,

DIVIDEND PAYMENT FOR THE FISCAL YEAR 1997 TO THE DIVIDEND SHARES

Please be informed that the Annual General Meeting, held on April 28, 1998, has declared for the fiscal year 1997 **a dividend of US $ 6.40** (six US dollars forty cents), **free of withholding tax in Luxembourg**, per Dividend Share outstanding as at the close of business of stock exchanges on May 29, 1998.

The amount corresponding to the dividend will be attributed to the Capital Shares.

On the Dividend Shares, the dividend will be paid as of June 2, 1998 as follows:

I - Registered Shares:

The holders of registered shares will receive by bank transfer or cheque the dividend to which they are entitled.

II - Bearer Shares:

Holders of bearer shares may present for payment, as of June 2, 1998, coupon Nr 4 of the Pan-Holding S.A. Dividend Shares of US $ 50 to:

Midland Securities Services,
Client Delivery,
Midland Bank plc,
Mariner House,
Pepys Street,
GB - London EC3N 4DA.

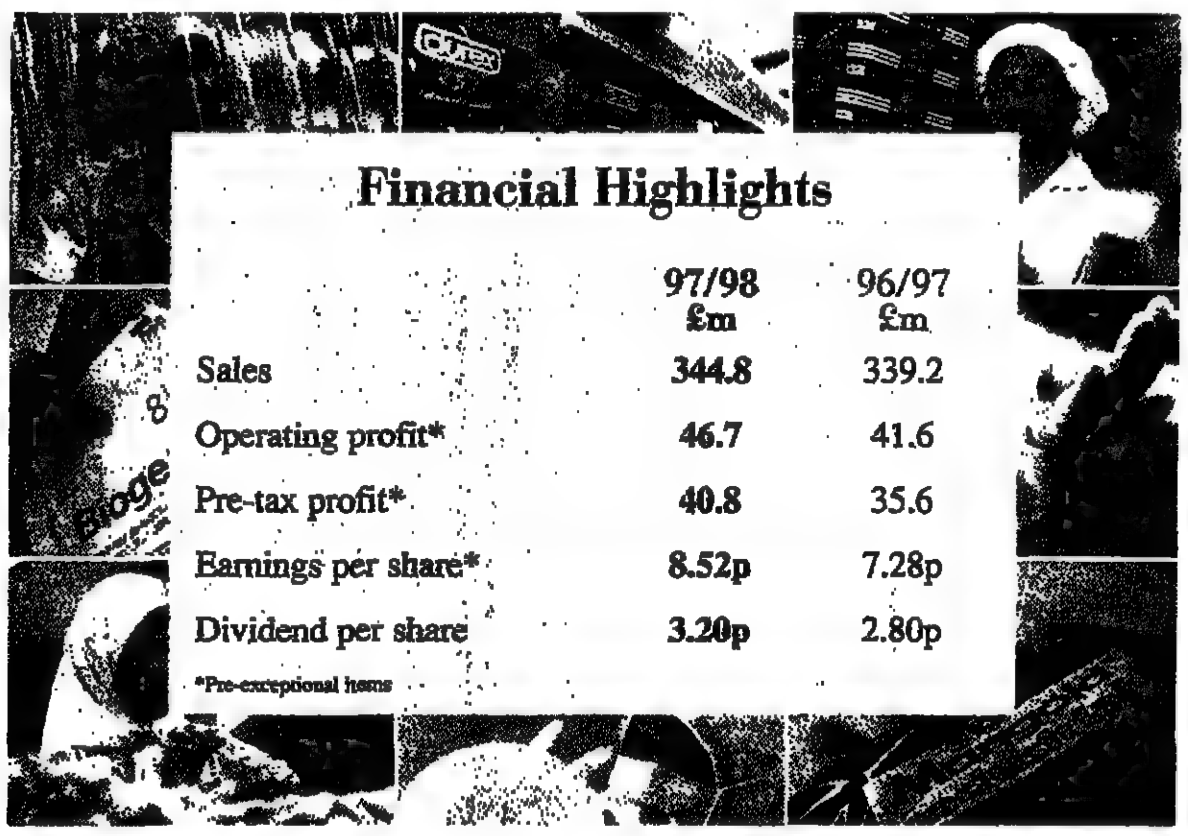
Income tax of 20% will be deducted, unless the coupons are accompanied by an Inland Revenue Affidavit.

FORFEITURE OF DIVIDEND

Please note that the dividend declared for the fiscal year 1987 (payment date : July 1, 1988) and unclaimed either for registered or bearer shares before July 1, 1997 will be declared as forfeited for the benefit of the Company.

For bearer shares, coupon Nr 53, representing the dividend for the fiscal year 1987, will be forfeited on July 1, 1998.

Truly yours, THE BOARD OF DIRECTORS



Financial Highlights

	97/98 £m	96/97 £m
Sales	344.8	339.2
Operating profit*	46.7	41.6
Pre-tax profit*	40.8	35.6
Earnings per share*	8.52p	7.28p
Dividend per share	3.20p	2.80p

*Pre-exceptional items

Investing in the future – Delivering today

London International Group plc (LIG) has, as promised, delivered double-digit growth in profits and earnings per share. Significant increases in R&D, marketing and capital expenditure are already showing good returns.

- *Durex Avanti*, the Group's polyurethane condom, has been launched ahead of the competition.
- Preparations for the launch of *Durex* in the USA during the first half of 1998/99 have been completed and a positive response has already been received from the trade.
- A groundbreaking joint venture agreement for producing condoms has been signed in China, the world's most populous country.
- Surgical gloves continued the strong growth of previous years. In the USA, sales rose 25%, confirming LIG as market leader with a 30% value share.
- Two new ranges of premium, coated, powder-free examination gloves are scheduled for launch during 1998/1999.
- Industrial gloves have grown strongly, lifting sales during the year by 16% to £33.5m.

The Group will continue to invest in its core businesses and is confident in its ability to sustain similar levels of growth.

London International Group plc
Global Leaders in Thin Film Barrier Technology
Durex and Avanti are trademarks of LIG.
Internet: http://www.lig.com

MEDICAL SCIENCE BRAIN DAMAGE

Containing cells to limit injury

Judy Dempsey looks at the marijuana-derived compounds used to counter the effects of serious head injury

Israeli neurologists need go no further than their own country to recognise the need for a drug to prevent the contamination of healthy brain cells caused by serious head injuries.

Some 528 people in Israel were killed in road accidents last year and about 3,430 were seriously injured. Most deaths and injuries were caused by damage to the head. Now, using substances derived from marijuana, scientists may have found a solution.

When the brain is injured, trauma, strokes or even death do not occur immediately. Brain cell molecules, tightly under control in a normally functioning brain, start reacting wildly. Over a period of a few hours, they rush from the damaged cells through narrow channels to other cells, causing confusion and excitement. This process, known as neuronal cell death, causes severe brain trauma.

There is also the danger of swelling. Under normal circumstances, water is tightly controlled in the brain, operating like small blood vessels. But following an injury, water enters the brain from outside. The cells cannot cope with the extra energy demands, swelling occurs, often leading to strokes or death.

Finding a way to contain damaged cells – which would limit brain injury by preventing neuronal cell death – is one project being undertaken by Pharmos, a small biotechnology company based at the Kiryat Weizmann scientific park close to Tel Aviv.

Haim Aviv, chairman of Pharmos as well as the Israel National Committee for Biotechnology, says the company is developing a chemical compound, Dexanabinol, that can protect healthy brain cells by blocking glutamate, the neurotransmitter.

Head trauma and strokes cause the release of excessive glutamate, often resulting in irreversible damage to brain cells.

Pharmos has separated from marijuana properties for medical use that do not induce psychotropic side effects associated with the drug.

More than 5m people each year suffer a stroke or other neuronal cell death conditions

"With Dexanabinol, we want to plug the receptor which sits at the entrance to the channel of the cells," says Anat Biegon, a physiologist and vice-president of research and development at Pharmos.

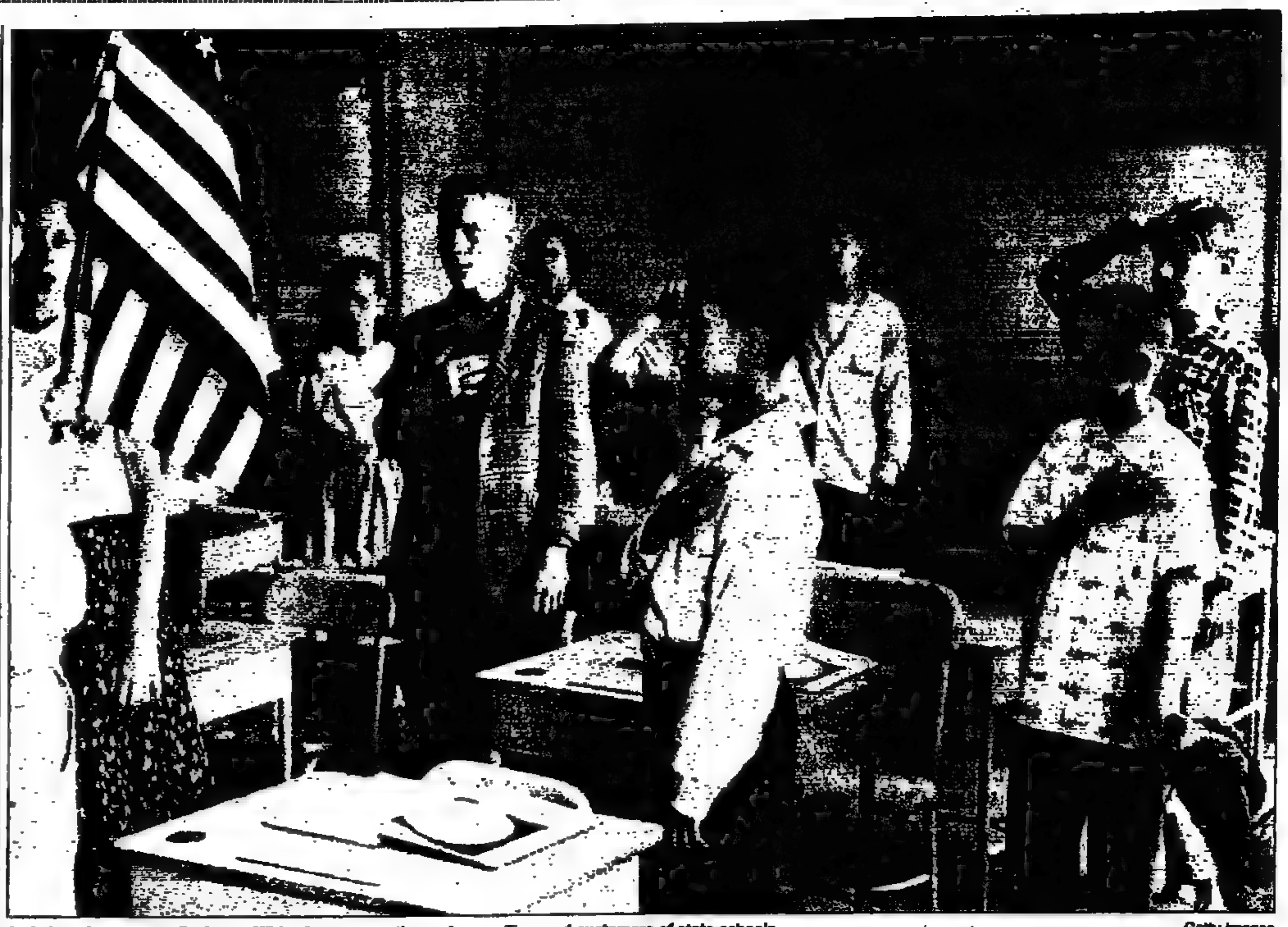
By blocking the channel, Dexanabinol, which has potent anti-oxidant and anti-inflamatory properties, inhibits calcium influx in the primary neural cells. This means it interferes with, or blocks, the cascade of biochemical processes unleashed through an injury on the brain.

Pharmos started phase two trials for Dexanabinol in October 1996, involving 67 patients in six of Israel's neurotrauma centres. About 1,000 patients will be involved in phase three at a cost of $15m (£8.9m).

According to Sturza, the US medical investment analysts, Dexanabinol showed no serious side effects when administered to healthy volunteers in a phase one trial. The drug is injected and if the trials are successful, every ambulance would be equipped with Dexanabinol.

The market for such a drug is large, according to Jesup & Lamont Securities, US analysts. An estimated 500,000 strokes occur in the US each year while worldwide more than 5m people each year suffer from stroke, head trauma or other conditions associated with neuronal cell death.

Pharmos says it should soon be in a position – when phase two trials are complete – to assess the level of recovery.



A pledge of corporate allegiance: US businesses see themselves as ill-served customers of state schools — Getty Images

MANAGEMENT US BUSINESS IN SCHOOLS

Firm approach to education

Victoria Griffith describes how companies are helping future employees understand the link between classes and jobs

US companies are getting increasingly involved in state education. No longer content simply to donate money and technology, they are leading lectures, advising on curriculum, training teachers and mentoring thousands of youngsters in an effort to improve the educational standards of future employees.

US businesses see themselves as ill-served customers of state schools. About 18 per cent of US companies now offer remedial training in basic maths and reading skills – learning that should have taken place at school – according to the research group American Management Association. That is up from 4 per cent in the late 1980s, and is testament to the dearth of even unskilled workers in the current US economic boom.

To help address the problem, computer group EMC guarantees a job to any student completing a programme it has designed for Massachusetts technical and vocational schools. The course teaches students to work on EMC equipment. Quadgraphics, outside Milwaukee, allows students aged 16 and over to earn a high school and college degree without leaving their job at the company.

Bell Atlantic, the telephone group, not only provides computer equipment to poor schools, but trains teachers, children and parents how to use it.

Workers at the computer company Hewlett-Packard serve on "leadership committees" that advise school districts on how to structure the curriculum, evaluate students and purchase supplies.

Many Americans are happy with corporate involvement, believing schools should take all the help they can get. "Businesses must literally enter the classroom to help us teach our students," says Tommy Thompson, governor of Wisconsin.

Others are unsure what corporations can do to help, or even if they should try. "There is a great deal of resistance to companies' involvement in public schools," says Tom Loveless, a professor of government at Harvard University.

The clear motivation of many executives is simply to improve school performance, and therefore the quality of the general workforce.

"Our failure to take more aggressive action in schools is incredible," says John Pepper, chief executive of Procter & Gamble, the consumer products company. P&G has for many years run a mentoring programme for students in Cincinnati, and Mr Pepper says he would like to deepen the company's involvement in pre-school education.

Yet fear of commercialism is tempering enthusiasm for corporate involvement. In March, the US public was both amused and outraged when a school in Georgia suspended a student for wearing a Pepsi T-shirt on "Coke Day", which the school had organised as part of an attempt to win $10,000 in a nationwide competition sponsored by the company. The student said wearing the Pepsi T-shirt was a joke.

Concern was also raised this year when the makers of the film *Amistad*, by Steven Spielberg, based on a true story about mutiny on a slave ship, distributed free material to schools for use in history lessons. The material included questions that asked students to identify statements made by former president John Quincy Adams – quotations that existed only in the minds of the movie's script writers.

Channel One, a group that offers schools free satellite television link-ups in return for the chance to show viewers a few minutes of commercials each day, has also come under attack – unfairly, according to some observers. "There is always some commercialism in the schools," says Diane Ravitch, a senior fellow at the Brookings Institute. "Would we ban Time or Newsweek simply because they contain print advertisements?"

Many businesses are wary of direct involvement in state schools. Hewlett-Packard, for example, makes sure its curriculum recommendations are given only within the context of a larger committee, and with advice from larger think tanks. "We must avoid the temptation to become a teacher or administrator," says Raymond Smith, chief executive of Bell Atlantic.

The clear motivation of many executives is to improve school performance, and therefore the quality of the general workforce.

No matter how well-meaning their efforts, it is not clear that businesses can always make a difference. One highly praised project in Boston, for example, sponsored by the Private Industry Council, places disadvantaged students in internships with corporations like mutual fund group Fidelity and the medical group Partners Health. About 90 teenagers learned about projectiles – objects that are propelled through space – by looking at X-rays of gun-shot victims at Partners' facilities earlier this year. "The kids were really interested," says George Kay, director of learning at Partners.

Yet Mr Kaye admits that since the programme was launched seven years ago, participating students have shown no improvement in grades. Junilisys Aristy, an 18-year-old who has a placement at Fidelity as part of the project, says her experience has not helped her with school work. Partners, too, has benefited little. The company employs just five graduates from the programme, hardly enough to make a difference to its recruiting efforts.

Roger Porter, director of the Centre for Business and Government at Harvard, believes companies could do more by refusing to hire anyone without a high school degree, even for part-time work. More than 60 per cent of high school students in the US work more than 20 hours a week. A panel, put together by the National Research Council and the National Institute of Medicine, is this year expected to caution that such a heavy schedule hinders performance at school.

Even without employing students, Mr Porter says, companies can provide role models through mentoring programmes.

"Most young people leave high school before graduation because they don't see a link between school and the job they will hold," he explains. "Businesses can help them see that tie."

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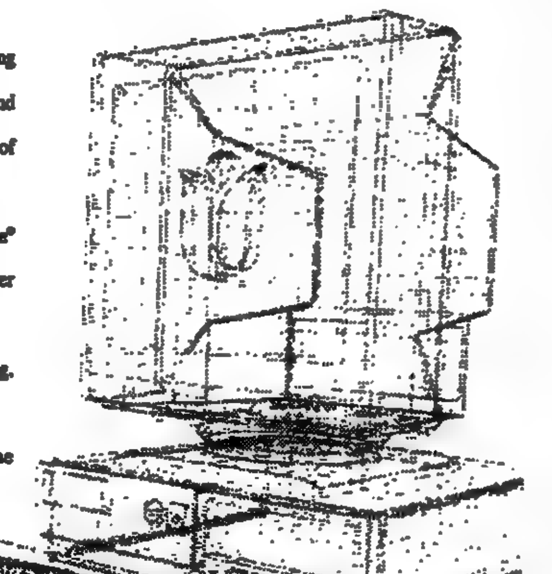

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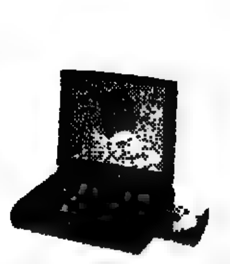

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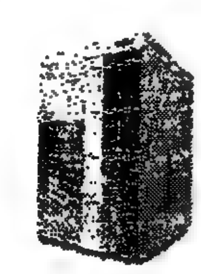

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TECHNOLOGY BUSINESS ON THE INTERNET

The lure of a free ride

Joia Shillingford on a web site that is pulling in customers by offering points towards compact discs and magazines

Many people are wary of using their credit cards on the internet because of concerns about security. But now there is a new way of experimenting with electronic money. At the Freeride web site (*www.freeride.com*), you can earn points and use them to buy online goods ranging from compact discs and magazine subscriptions to free internet accounts.

There are two ways of earning points. The easiest is to look at some of the web sites that are mentioned on Freeride. For each one – you visit for a minute or so – you earn five points.

Once you have earned 500 points, you can buy a CD, the most popular way of spending Freeride points. The other way of earning points is to buy certain products in stores and post the proofs of purchase to Freeride.

At present, the service is available only to internet surfers with a US billing address. But Freeride Media, the company behind Freeride, says it will introduce the service in the UK or Australia in the second half of the year.

The service was set up by two advertising executives from Mezzina Brown, a New York agency. One of them, Jordan Stanley, is president of Freeride Media. The other, John Mezzina, is chairman of Mezzina Brown, Freeride Media's biggest investor.

Mr Stanley believes Freeride works because it is based on a "pull" rather than a "push" approach to advertising products. "People go and look at the web sites listed on Freeride when they want," he says. "It's not like being phoned up by a telemarketing company during dinner." According to Mr Stanley, "as television viewing falls in the US and internet use goes up, advertisers need a new way of reaching customers. Conventional ads don't have a future."

Mr Stanley's philosophy has helped attract some big names. The company has 240 sponsors, among them Alamo, Home Box Office and Oreo. They pay Freeride Media according to the number of Freeride customers who buy products after visiting their web sites.

The sponsoring companies also contribute a proportion of their sales to pay for Freeride's incentives.

Freeride has been operating for 18 months and Mr Stanley says it has 165,000 customers, 22 per cent of whom use it regularly. The company, just down the road from Mezzina Brown, has 18 staff and says it will be profitable in six months.

Mr Stanley says one day Freeride points could be used to pay the customer's phone, electricity or video-on-demand bills.

He says a typical customer spends 35 to 45 minutes a week using the service. And customers usually spend far more than the minimum point-earning time connected to advertisers' sites. "For example, we give Net Grocer [a well-known internet grocery shopping site] more repeat business than any other site they advertise on," says Mr Stanley.

"Our customers come from all walks of life," adds Mr Stanley, "and are united only by the common bond of wanting something for nothing." But just as there is no such thing as a free lunch, there is no free ride on the internet – unless you use it from work and your time and phone bill are paid for.

ملكاً من الأهلي

EURO PRICES

EQUITIES

European bourses fail to rally

EUROPEAN OVERVIEW

By Philip Coggan, Markets Editor

European markets stabilised after Wednesday's Wall Street- and Asia-induced falls, but there was not much sign of a rally.

The late rebound in the Dow Jones Industrial Average on Wednesday, and a stronger dollar, helped sentiment but Asian worries remained. European bond markets traded modestly lower after the release of stronger-than-expected US first-quarter gross domestic product growth data.

The FTSE Eurotop 100 index fell 5.45 or 0.2 per cent to 2,806.96, and the broader Eurotop 300 index fell 1.81 points to 1,225.10. But the Ebloc 100 index, which is limited to stocks from countries which plan to become members of the single currency, managed a modest rise on the day, gaining 0.63 to 1,027.36.

Danish stocks and bonds were amongst the strongest on the day as investors anticipated a Yes vote in the referendum on expansion of the European Union.

Meanwhile Yves-Thibault de Signy, European commissioner for economic affairs, said that most euro-zone countries favoured phasing out their national currencies sooner than planned.

Local currencies are scheduled to circulate alongside the new euro notes and coins for six months after January 1 2002.

The information technology sector, which fell sharply on Wednesday, rebounded to be the best performer on the day. SAP gained Ecu 10.5 to Ecu 495.36, while Cap Gemini rose Ecu 7.2 to Ecu 132.57.

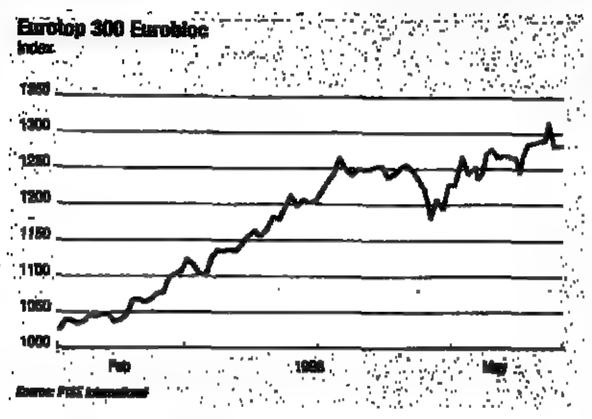
Chemicals stocks were also strong, with the sector gaining 2.2 per cent, after Juergen Dormann, chairman of Hoechst, hinted at the possibility of rationalisation in the sector. Hoechst gained Ecu 2.4 to Ecu 42.8 and Bayer Ecu 1.7 to Ecu 41.81.

The property sector was the weakest in Europe dropping 2.3 per cent, with British Land falling Ecu 0.3 to Ecu 9.84 and Land Securities Ecu 0.3 to Ecu 14.28.

BMW was a strong performer among automobiles, gaining Ecu 36.3 to Ecu 955.18 as Volkswagen and Daimler Benz lost ground. The sector as a whole, a strong performer since the announcement of plans for the Daimler-Chrysler merger, gained 0.5 per cent.

Eurotop 300 Eurobloc

Index



THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

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May 28

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop 300	1225.10	−0.15	−1.81	1.98	13.80	1248.95
FTSE Eurotop 100	2806.96	−0.19	−5.45	2.06	16.06	997.20
FTSE Ebloc 100	1027.36	+0.06	+0.63	1.88	7.02	1034.48

FTSE EUROTOP 300

CURRENCIES & MONEY

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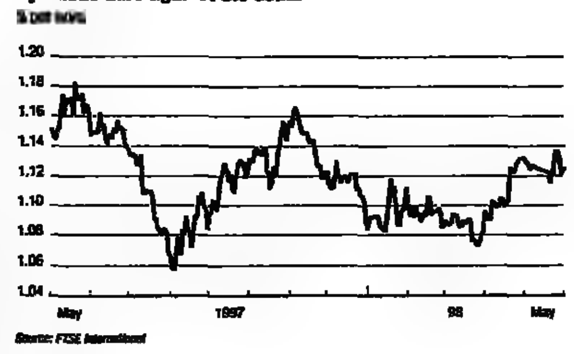
Synthetic Euro against the dollar

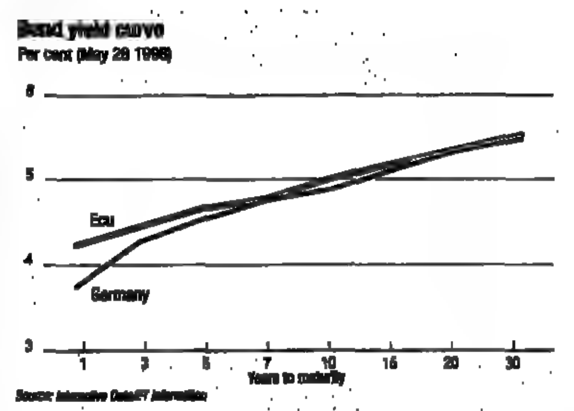


EUROZONE CURRENCY CONVERGENCE

BONDS

Bond yield curve

Per cent (May 29 1998)



EUROZONE CORPORATE BONDS

GOVERNMENT BOND SPREADS vs ECU

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Edgy European sector awaits cues

GOVERNMENT BONDS

By Jeremy Grant in London and John Labate in New York

European markets fell yesterday as some confidence seeped back into Russian markets, but they were still edgy, trading in narrow ranges in the absence of firm cues from Asia and domestic markets.

US Treasuries were increasingly focusing on how Asia and emerging markets would fare in the next few weeks, with traders noting an increasing appetite for safe havens.

Any further deterioration in Asian economies – and thus deflationary effects on the US economy – would boost Treasuries and reduce the need for an interest rate rise, economists said.

However, it was too early to say where US bonds were heading, as investors were still digesting the signals from abroad.

Yesterday, South Korea recorded a slump in industrial production of more than 10 per cent, the biggest drop since 1954. Pakistan unnerved markets by detonating nuclear devices.

"The dominant theme in the last few days has been safe havens, but that was yesterday's story in some respects. The market is looking for fresh news before deciding which way to jump. What is the big story here. Russia? Asia? No-one has answers to these questions right now," said Robert Blake, economist at Citibank.

Gilts again marched to their own tune, falling back despite weak UK manufacturing orders – indicating that the sector is slipping deeper into recession.

Yesterday's release of revised US gross domestic product data for the first quarter depressed US TREASURIES initially, but they were mixed by midday.

The benchmark 30-year bond was 1/32 higher at 103 31/32, yielding 5.841 per cent.

In the shorter-term sector the two year note lost 1/32 to 99 29/32, yielding 5.550 per cent, but the 10-year note inched 1/32 higher to 100 19/32, yielding 5.579 per cent.

A sharp rise in inventories helped to send GDP growth up 4.8 per cent in the first quarter, above the earlier 4.2 per cent estimate.

"Looking forward, we think we're going to have a slowdown in the second quarter due to an unsustainable pace in inventory accumulation," said Claude Persico, economist at Dresdner Kleinwort Benson. "The inventory and trade sectors will be a drag in coming quarters."

This would act as a drag on growth and reduce pressure for a rise in interest rates.

Mr Blake, of Citibank, said the interest rate debate in the Federal Reserve could focus more sharply next week with the release of US payroll data.

In a separate release yesterday, durable goods orders in April were shown to have risen a sharp 2.6 per cent, due largely to defence and transportation orders. Excluding those, durable goods orders fell 1.1 per cent.

UK GILTS failed to take much notice of a Confederation of British Industry survey reporting a total orders balance of minus 17 in May, up from minus nine in April and much worse than expected.

Most analysts attributed the change to the interest rate debate, which has been muddied recently by conflicting signals.

"You can forgive people for being a little bit confused as to the immediate outlook," said David Coleman, chief economist at CIBC World Markets.

Although Eddie George, Bank of England governor, said yesterday that the pound's strength and the UK's worsening net trade position had reduced the need for tighter monetary policy, analysts said it would be some time before the markets believed that the Bank had abandoned all fears of inflation and could contemplate a rate cut.

"It's a long way to travel before you get a debate [in the Bank of England] about when to cut rates, especially when you have uncertainty about how fast the economy is slowing," Mr Coleman said.

The CBI forecast a cut in the base rate to 7 per cent by year-end.

The June 10-year gilt future settled marginally lower at 108.99, having traded in a range of 0.29 basis points in volume of 112,000. The spread over bunds was unchanged at 97 basis points.

As expected, the Bundesbank council left German rates unchanged at its regular meeting. The June 10-year GERMAN BUND future settled at 107.65, down 0,08 basis points.

S&P puts Russia under review

By Edward Luce

Standard & Poor's, the credit rating agency, yesterday put Russia's sovereign credit rating on negative CreditWatch, warning of the country's deteriorating debt service and fiscal situation.

The move, which means Russia's BB minus rating is more likely to fall than rise, follows the country's decision to push prime interest rates to 150 per cent to defend the embattled rouble.

The agency, widely criticised for reacting too late to the Asia crisis, said higher domestic interest rates could lead to a worse than expected budget deficit because of the higher cost of servicing the government's domestic debt.

The agency said its decision on whether to downgrade Russia would depend on how quickly it could improve tax collection and on whether it received more substantial external assistance than at present to deal with the crisis.

Fitch IBCA, the European rating agency, yesterday also warned of the vulnerability of Russia's sovereign rating.

The agency warned that "a forced and uncontrolled devaluation of the rouble would have severe economic and political repercussions ... In such circumstances Russia's creditworthiness would be significantly impaired".

S&P also put seven private Russian banks on negative outlook, warning of the severely negative effects of a rouble devaluation on their balance sheets. Those with significant exposure to foreign currency loans and bonds would suffer the most, it said.

Small banks squeezed out of syndicates

By Edward Luce

Europe's medium-sized investment banks are having a tough time in the eurobond market. As the large US banks (and one or two European newcomers) tighten their grip on the league tables, many of their smaller counterparts are having to subsist on fewer crumbs from the table.

Already lacking the muscle to win the big mandates, smaller banks are also finding themselves increasingly squeezed out of the secondary roles in the bond market syndicate teams.

"The trend towards smaller syndicates has been a feature of the market for the past two or three years," said a senior official at a US investment bank. "But we think it is intensifying."

On two or three large recent deals, for example, the number of co-lead managers and co-managers has been restricted to fewer than 10 banks, compared with a typical syndicate of 30 to 40 banks earlier this decade.

Similarly, the lead managers – rarely more than two banks – are retaining between 80 per cent and 90 per cent of deals for themselves, compared with 60 per cent to 70 per cent three or four years ago.

Finally, lead managers are increasingly starting to impose conditions on those invited to join the syndicate. These include information-sharing about investors.

"Too many co-managers just sit on their bonds for a few hours and then sell them into the market at the end of the day," said an official at a large European bank.

"They don't perform any useful commercial role and what is more, they don't have any real incentive to make a deal work in either the primary or the aftermarket."

The big US investment banks are increasingly laying down the law about the structure of syndicates in the European market.

Although few believe the market will exactly resemble its counterpart in the US (where there is typically one lead manager and just a handful of co-leads), the trend towards Americanisation is unmistakable.

One of the reasons for this is the increasingly competitive nature of the market, with banks outbidding each other on price to win mandates. The winner must then recoup the cost by retaining control over as many of the bonds as is practical. Often the bid is won by offering subsidies to the borrower on the subsequent swap.

"In a market like this you don't want to share too many bonds because it affects your profit and loss account," said one official.

Another reason is the increasingly cosmopolitan nature of the European market, with retail investors taking a diminishing share of the cake. This reduces the need to bring small retail-focused European banks into the syndicate.

"The name of the game is contact with big institutional investors and gaining control over the whole book," said another banker.

And that, on the face of it, means muscling most of Europe's banks out of the frame.

Primary issuers on the sidelines

INTERNATIONAL BONDS

By Edward Luce

Events in Russia and elsewhere had a becalming effect on the primary bond markets yesterday, with few borrowers prepared to stick their heads above the parapet. Bankers said it was unlikely any emerging market sovereigns (or single A or below corporate borrowers) would come to the markets in the near future given such a volatile outlook.

The secondary market spread on Russian corporate and banking sector bonds has widened to well in excess of 1,000 basis points over their equivalent US Treasury bonds in the past couple of weeks, while Russian sovereign debt is trading at about 625 basis points compared with about 500 points in mid-April.

Elsewhere, spreads on AAA and AA names have also widened in the light of global economic uncertainty and a degree of indigestion following the glut of issuance earlier this year.

In spite of this, INDEPENDENT NEWSPAPERS, the Irish media group, issued the largest corporate bond ever denominated in Irish pounds. The I£75m offering, led by ABN Amro, was technically a preference share issue but, since it is not convertible into equity, it will be viewed as a subordinated bond in all but name.

An official said the issuer chose Irish pounds to appeal to continental European investors, for whom there would be virtually no currency risk. The five-year unrated bond was priced to yield 150 basis points over the comparable Irish gilt.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Meridian Funding Co‡	350	(a)	100.00R	Jun 2008	0.30R	-	Morgan Stanley DW
D-MARKS							
SGZ Bank(b)	100	8.50	99.50	Jun 1999	undisc	-	SGZ Bank
Sal Oppenheim(c)	100	9.25	99.25	Aug 2000	none	-	Sal Oppenheim
STERLING							
European Inv'ment Bank(d)	150	6.00	99.22R	Nov 2004	0.30	+16(6%Nov04)	ABN Amro
FRENCH FRANCS							
WestLB Finance	1.5bn	5.25	99.07R	Jun 2013	0.4R	+25(j)	BNP
Citibank CCMT	4bn	5.125(e)	99.21	Jan 2009	0.325	+26(j)	Citibank/JP Morgan
CANADIAN DOLLARS							
Toyota Credit Canada	100	5.375	99.44R	Jun 2003	0.25R	+23(5%Sep02)	TD Securities
IRISH POUNDS							
Independent Newspapers(f)	75	6.625#	99.777	Jun 2003	1.50	+150(6%-03)	ABN Amro
GREEK DRACHMAS							
Republic of Portugal	10bn	8.00	100.00R	Jun 2002	0.225R	-	HSBC Markets

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. #Semi-annual coupon. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor +32bp. b) Redeemed at par or 75 participation certificates on SG-Eurostar's equity basket. c) Redeemed at par or 154 Commerzbank shrs per DM10,000 bond. Long last coupon. d) Fungible with £850m. Plus 194 days accrued. f) Cumulative redeemable preference shares. If not redeemed in Jun 03 dividend steps to 6-mth Dibor +250bp. j) Over interpolated yield. e) Short first coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

May 28	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	103.8818	4.81	-0.05	-0.12	-0.17	-1.08
	10/07	10.000	133.2880	5.38	-0.01	-0.16	-0.32	-2.22
Austria	09/99	7.000	103.6100	4.07	-	-0.05	-0.03	+0.14
	07/07	5.625	104.7000	4.97	+0.01	-0.06	-0.13	-0.95
Belgium	01/00	4.000	[illegible]	4.10	+0.02	-0.05	-0.11	+0.39
	03/07	8.250	108.8300	4.99	+0.02	-0.03	-0.12	-0.99
Canada	09/99	4.750	99.4600	5.19	+0.05	+0.03	-0.01	+0.83
	06/07	7.250	113.3000	5.35	+0.01	-0.03	-0.12	-1.28
Denmark	12/99	6.000	101.9949	4.69	-0.07	-0.08	+0.11	+0.63
	11/07	7.000	113.7200	5.13	-0.03	-0.11	-0.16	-1.27
Finland	01/99	11.000	104.2743	3.78	+0.03	-0.03	-0.07	-0.01
	04/08	7.250	114.8397	4.93	+0.03	-0.03	-0.09	-1.36
France	01/00	4.000	99.6200	4.04	-	-0.01	-0.09	+0.20
	10/04	6.750	111.7200	4.68	+0.01	-0.03	-0.14	-0.73
	10/07	5.500	104.2900	4.92	+0.02	-0.03	-0.13	-0.90
	10/25	6.000	107.5200	5.46	+0.01	-0.02	-0.12	-1.22
Germany	09/99	4.000	100.1100	3.90	+0.01	-0.03	-0.09	+0.32
	11/04	7.500	115.1500	4.71	+0.01	-0.03	-0.13	-0.89
	07/07	6.000	107.9200	4.90	+0.01	-0.03	-0.14	-1.09
	07/27	6.500	115.0000	5.46	+0.01	-0.02	-0.13	-1.22
Ireland	04/99	6.250	100.6400	5.40	+0.24	+0.29	+0.31	-0.53
	08/06	8.000	118.7200	5.14	+0.03	-0.01	-0.05	-1.56
Italy	06/00	8.000	102.7500	4.51	-	-0.01	-0.06	-1.86
	05/02	6.250	105.4900	4.71	+0.01	-0.03	-0.11	-2.11
	07/07	6.750	111.8300	5.10	+0.01	-0.01	-0.09	-2.23
	11/29	7.250	123.0800	5.82	+0.02	-0.01	-0.08	-2.30
Japan	03/00	6.400	110.7200	0.40	-	-0.02	-0.12	-0.86
	12/02	4.800	117.5800	0.85	-0.01	-0.06	-0.21	-1.29
	09/06	3.000	111.9300	1.28	-0.02	-0.07	-0.24	-1.41
	09/17	3.000	113.6800	2.13	-0.02	-0.06	-0.25	-1.28
Netherlands	11/99	7.500	104.7200	4.08	-0.02	-0.01	-0.06	+0.28
	02/07	5.750	106.0500	4.88	+0.01	-0.03	-0.12	-0.89
New Zealand	02/00	6.500	98.6806	7.33	-0.05	-0.21	-0.42	+0.09
	11/06	8.000	109.8383	6.44	-0.03	-0.20	-0.45	-1.13
Norway	01/99	9.000	102.5211	4.94	-0.06	+0.32	+0.44	+0.93
	01/07	6.750	108.1500	5.53	-0.02	+0.05	+0.10	-0.99
Portugal	03/99	8.500	103.3100	4.20	+0.01	-0.02	-0.08	-1.15
	02/07	6.625	110.6700	5.05	+0.01	-0.04	-0.10	-1.46
Spain	07/99	7.400	103.5300	4.21	+0.08	-	+0.02	-0.92
	03/07	7.350	116.0500	5.06	+0.01	-0.02	-0.10	-1.95
Sweden	01/99	11.000	103.9550	4.43	+0.03	-0.14	-0.28	-0.54
	08/07	8.000	121.0168	5.06	+0.03	-0.07	-0.24	-2.03
Switzerland	03/00	5.000	105.4300	1.86	-	-0.04	-0.10	+0.30
	06/07	4.500	112.1500	2.95	+0.01	-0.09	-0.19	-0.50
UK	08/99	6.000	99.2500	6.66	-0.01	-0.02	+0.08	-0.19
	11/04	6.750	104.5938	5.89	-	-0.07	-0.08	-1.27
	12/07	7.250	110.6875	5.78	+0.01	-0.06	-0.11	-1.44
	06/21	8.000	129.0547	5.72	+0.01	-0.06	-0.11	-1.86
US	10/99	5.625	100.0630	5.57	-	-0.05	-0.14	-0.73
	11/04	7.875	111.6530	5.66	+0.03	-0.07	-0.21	-0.98
	08/07	6.125	103.1410	5.68	+0.02	-0.06	-0.19	-1.11
	08/27	6.375	106.6880	5.89	+0.01	-0.09	-0.22	-1.14
ECU	01/00	4.000	99.6500	4.21	-0.01	-	-0.02	-0.08
	04/07	5.500	103.8300	4.98	+0.03	-0.03	-0.13	-1.30

London closing. *New York mid day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

May 28	Bid Yield	Spread vs Bunds	Spread vs T-Bonds		Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.38	+0.50	-0.19	New Zealand	6.44	+1.56	+0.87
Austria	5.02	+0.14	-0.55	Norway	5.56	+0.68	-0.01
Belgium	5.05	+0.17	-0.52	Portugal	5.10	+0.22	-0.47
Canada	5.35	+0.47	-0.22	Spain	5.11	+0.23	-0.46
Denmark	5.14	+0.26	-0.43	Sweden	5.12	+0.24	-0.45
Finland	5.02	+0.14	-0.55	Switzerland	2.95	-1.93	-2.62
France	4.95	+0.07	-0.62	UK	5.74	+0.86	+0.17
Germany	4.88	-	-0.69	US	5.57	+0.69	-
Ireland	5.16	+0.28	-0.41	ECU	5.01	+0.13	-0.56
Italy	5.20	+0.32	-0.37				
Japan	1.28	-3.60	-4.29				
Netherlands	4.94	+0.06	-0.63				

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

May 28	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB-	97.5274	7.77	-0.17	-0.09	+2.20
Poland	07/04	7.125	BBB-	101.8372	6.75	-0.13	+0.03	+1.16
Russia	06/07	10.000	BB-	88.4102	12.14	-0.17	+1.21	+6.57
LATIN AMERICA								
Argentina	09/27	9.750	BB	92.5000	10.58	-0.24	+0.30	+4.75
Brazil	05/27	10.125	BB-	90.0213	11.30	-0.17	+0.61	+5.47
Mexico	05/26	11.500	BB	116.0000	9.80	-0.17	+0.27	+3.98
ASIA								
China	07/06	7.750	BBB+	104.5570	6.99	-0.17	-0.01	+1.41
Philippines	10/16	8.750	BB+	91.4308	9.76	-0.17	+0.39	+4.08
Thailand	04/07	7.750	BBB-	92.5408	9.00	-0.17	+0.46	+3.43
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	101.8475	8.08	-0.17	+0.36	+2.53
South Africa	10/06	8.375	BB+	103.4906	7.78	-0.17	-0.28	+2.20
Turkey	09/07	10.000	B	100.4316	9.91	-0.17	+0.30	+4.34
BRADY BONDS								
Argentina	03/23	5.500	BB	74.3750	8.47	-0.09	+0.04	+2.70
Brazil	04/14	5.000	BB-	77.7500	10.26	-0.37	+0.49	+4.61
Mexico	12/19	6.250	BB	82.8750	7.92	-0.10	+0.02	+2.20
Venezuela	03/20	6.750	B+	83.1250	8.46	-0.01	+0.11	+2.73

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	104.11	104.04	+0.01	104.11	103.94	97,136	112,880
Sep	103.53	103.55	+0.01	103.53	103.50	1,985	13,229

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jun	Calls Jul	Calls Sep	Puts Jun	Puts Jul	Puts Sep
102	2.04	1.60	1.84	-	0.06	0.30
103	1.04	0.78	1.14	-	0.23	0.60
104	0.04	0.24	0.61	-	0.69	1.06
105	-	0.04	0.27	0.96	1.49	1.71

Est. vol. total, Calls 3,070 Puts 4,144. Previous day's open int., Calls 42,616 Puts 68,232.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	107.66	107.65	-0.08	107.80	107.63	50826	120052
Sep	107.32	107.27	-0.08	107.39	107.26	6010	16638

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
10700	0.57	0.77	0.94	1.11	0.30	0.50	0.67	1.25
10750	0.30	0.51	0.67	0.88	0.53	0.74	0.90	1.53
10800	0.15	0.32	0.46	0.70	0.88	1.05	1.19	1.84

Est. vol. total, Calls 6962 Puts 8840. Previous day's open int., Calls 111000 Puts 98194

NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	105.34	105.28	-0.08	105.36	105.25	111,157	263,092
Sep	105.17	105.11	-0.09	105.17	105.11	8,124	20,068

NOTIONAL GERMAN BOBL FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	105.29	105.20	-0.04	105.29	105.20	180	404
Sep	-	105.12	-0.04	-	-	0	0

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	119.14	119.06	-0.10	119.23	119.05	34446	128525
Sep	119.66	119.60	-0.06	119.69	119.59	7264	23296

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jul	Calls Aug	Puts Jul	Puts Aug
11950	0.46	0.60	0.36	0.58
12000	0.23	0.47	0.63	0.87
12050	0.09	0.30	0.99	1.20

Est. vol. total, Calls 1625 Puts 1317. Previous day's open int., Calls 8485 Puts 5746

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Puts Jul	Puts Aug	Puts Sep
10800	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10850	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
11000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	121-15	121-17	[illegible]	121-23	121-08	[illegible]	[illegible]
Sep	121-08	121-10	[illegible]	121-16	121-02	[illegible]	[illegible]
Dec	120-30	121-03	[illegible]	121-04	120-29	[illegible]	[illegible]

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Jun	133.51	133.60	[illegible]	133.61	133.49	[illegible]	n/a
Sep	133.48	133.56	[illegible]	133.57	133.48	[illegible]	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	103.74	103.76	-0.16	103.74	103.66	5	4,997

US CORPORATE BONDS

May 27	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NY Tel	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+1.16
CWE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+0.90
FINANCIALS								
GECC	[illegible]	[illegible]	AAA	[illegible]	[illegible]	[illegible]	[illegible]	+0.56
Banc One	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+0.67
US West	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+0.69
INDUSTRIALS								
WMX Tech	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+1.05
Wal Mart	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+0.32
Dayton Hud	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+0.97
AGENCIES								
FHLMC	[illegible]	[illegible]	AAA	[illegible]	[illegible]	[illegible]	[illegible]	+0.20
SLMA	[illegible]	[illegible]	AAA	[illegible]	[illegible]	[illegible]	[illegible]	+0.16
FNMA	[illegible]	[illegible]	AAA	[illegible]	[illegible]	[illegible]	[illegible]	+0.29
FFCB	[illegible]	[illegible]	AAA	[illegible]	[illegible]	[illegible]	[illegible]	+0.25
HIGH YIELD								
Stone Cont	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
AK Stl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Pocahn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

NY closing. Standard & Poor's ratings. Yields: mid-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	[illegible]	One month	[illegible]	Two year	5.55
Broker loan rate	[illegible]	Two month	[illegible]	Three year	5.55
Fed.funds	[illegible]	Three month	[illegible]	Five year	5.59
Fed.funds at intervention	[illegible]	Six month	[illegible]	10-year	5.57
		One year	[illegible]	30-year	5.84

UK BONDS

INTERNATIONAL BONDS

May 28	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EURO YEN								
EIB	02/07	5.750	AAA	105.5200	4.95	+0.03	-0.13	+0.05
Spain	01/07	5.750	AA	105.1800	4.99	+0.01	-0.15	+0.09
Philip Morris	03/04	5.375	A	101.2690	5.12	+0.02	-0.01	+0.45
Finland FRN	09/02	3.570	AA	100.5602	3.95	+0.01	-0.13	-0.47
EURO FFR								
Austria	01/04	6.500	AAA	108.9500	4.68	+0.03	-0.12	+0.06
Abbey Nat	02/04	6.000	AA	106.9500	4.78	+0.04	-0.13	+0.16
Cred Foncier	02/04	9.125	A	120.3100	4.85	+0.02	-0.20	+0.33
SCIF FRN	12/01	3.625	AA-	99.7681	4.17	-	-0.12	-0.14
EURO LIRA								
EIB	02/07	7.000	AAA	112.7000	5.15	+0.01	-0.03	+0.02
Abbey Nat	02/02	6.800	AA	106.5700	4.82	+0.01	-0.04	+0.08
Walt Disney	06/00	8.625	A	107.3700	4.77	+0.01	-0.09	+0.21
EIB FRN	09/01	5.398	AAA	100.0065	4.40	+0.01	-0.10	-0.24
EURO £								
EIB	12/07	7.625	AAA	111.6000	6.06	-0.02	-0.15	+0.25
Dresdner Bk	10/07	7.750	AA-	107.0500	6.63	+0.01	-0.07	+0.82
British Gas	03/00	7.625	A+	101.1307	6.92	-0.03	+0.07	+0.46
Abbey Nat FRN	02/02	7.850	AA	100.0651	6.06	-0.01	+0.02	-0.04
EURO $								
EIB	04/07	7.250	AAA	108.7500	5.95	+0.02	-0.20	+0.38
ABN Amro	06/07	7.125	AA-	105.1250	6.37	+0.03	-0.17	+0.80
Quebec	01/07	7.000	A+	104.5395	6.31	+0.03	-0.13	+0.74
Citicorp FRN	02/04	5.764	A+	100.3617	5.61	+0.03	-0.36	+0.02
EURO C$								
Bayer L-Bk	08/04	9.500	AAA	119.5630	5.68	+0.02	-0.08	+0.15
Toronto	05/04	8.500	AA+	114.1988	5.64	+0.02	-0.06	+0.13
Bell Canada	07/99	10.625	A+	105.2590	5.61	+0.02	-0.03	+0.06
Deutsche B FRN	09/02	5.578	AAA	101.3737	5.81	+0.02	-0.07	+0.05
EURO YEN								
World Bank	03/02	6.250	AAA	118.7800	0.76	-0.02	-0.16	+0.16
Spain	03/02	5.750	AA	118.6000	0.77	-	-0.15	+0.19
Cred Foncier	08/02	4.750	A	114.2282	1.24	-0.02	-0.15	+0.66
Italy FRN	07/99	0.711	AA	100.3156	0.07	-	-0.09	-0.12

London closing. Standard & Poor's ratings. Yields: Local market standard/Annualised basis. Source: Interactive Data/FT Information

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Thu May 28	Day's change %	Wed May 27	Accrued interest	xd adj. ytd
1 Up to 5 years (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 5-15 years (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Over 15 years (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Irredeemables (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 All stocks (46)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Index-linked					
6 Up to 5 years (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 Over 5 years (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 All stocks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

UK Indices

	Low coupon yield May 28	May 27	Yr. ago	Medium coupon yield May 28	May 27	Yr. ago	High coupon yield May 28	May 27	Yr. ago
5 yrs	5.99	5.98	7.08	6.05	6.06	7.14	6.09	6.07	7.16
15 yrs	5.73	5.70	7.30	5.76	5.76	7.31	5.85	5.85	7.39
20 yrs	5.73	5.69	7.35	5.75	5.74	7.32	5.86	5.85	7.42
Irred.†	[illegible]	[illegible]	[illegible]						

FT Fixed Interest Indices

	May 28	May 27	May 26	May 22	May 21	Yr ago	High*	Low*
Govt. Secs. (UK)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fixed Interest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

D-Mark bolstered by Russian recovery

MARKETS REPORT

By Susanna Voyle

The D-Mark strengthened yesterday as the foreign exchange markets signalled that Russia had made a good start in shoring up confidence in the rouble.

The US dollar fell against the D-Mark after gains made on Wednesday when the Russian central bank tripled key interest rates to 150 per cent.

"The D-Mark is holding its own with the dollar," said Alison Cottrell, international economist at Paine Webber in London. "It's a little volatile. They are holding hands and skipping about a bit – but they are still holding hands."

However, the dollar continued to gain against the yen as fears over the fragility of the Japanese economy refused to go away. Analysts said the greenback was also bolstered by the news that Pakistan had carried out five nuclear tests – an announcement that strengthened the Swiss franc as a safe haven.

The signs of stabilisation in Russia boosted eastern Europe's emerging markets. The Polish zloty and the Czech koruna both rebounded from loses inflicted on Wednesday by the Russian financial turmoil.

Meanwhile, sterling had a mixed day. The currency suffered early losses after publication of the quarterly economic forecast from the Confederation of British Industry. The survey, which showed a worsening outlook for exporters, caused the pound to fall 2 pfennigs against the D-Mark. However it recovered to close at DM2.897, a loss of 0.8.

Analysts said the pound was still being underpinned by bullish fundamentals, and aided by being seen as a currency of safe haven in Europe against any continued problems in Russia.

■ Promises yesterday from Russian president Boris Yeltsin that the economy would not collapse eased the pressure on the rouble.

"It's probably too early to say we're already over the crisis in every sector," Sergei Aleksashenko, deputy governor of the central bank, said. "But the main thing is that the process has started to reverse and we have succeeded in halting the psychosis that unfolded yesterday and the day before."

Steve Hannah, at IBJ International in London, said: "The market feels that maybe Russia is doing enough to at least stabilise the situation.

"The key thing now is whether there is a substantial package agreed internationally to bail Russia out."

■ With the easing of fears over the rouble, the focus switched back to Japan, with the yen continuing to be extremely weak. Analysts expressed concern about weak industrial output and retail sales data.

"We have got back to the main business of the year, which is to take the dollar/yen to new highs," said Kit Juckes, chief currency strategist at Greenwich NatWest.

Jeremy Hawkins, chief European economist at Bank of America in London, said he saw little hope for the yen, unless there was co-ordinated intervention by the Bank of Japan, supported by the US Federal Reserve and the Bundesbank.

However, the possibility of concerted central bank intervention still looked remote. "Central banks in general are not prepared to throw good money after bad," he said. "Until there is an improvement in the domestic Japanese fundamentals, who on earth wants to hold Japanese assets?"

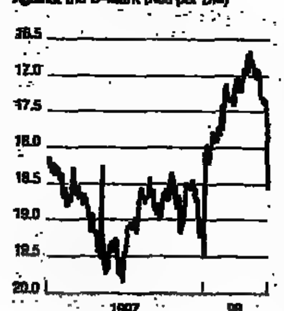
■ Sterling had probably outperformed expectations, considering the CBI report was so gloomy, said Kit Juckes. "It went down and then stabilised," he said.

"Lots of people jumped on to the story, but behind the scenes the good merits of 7.25 per cent interest rates gives good bounce each time we do go down."

Other analysts said they were waiting for figures due out next week, which would decide the direction of sterling. Steve Hannah said the market had known before the CBI survey that the manufacturing sector was in recession. The more important news was how the service sector was faring – information which would come from the Purchasing Managers' Index due out next week. "That will be the real test," he said.

Czech koruna

Against the D-Mark (Kcs per DM)



Source: Datastream/ICV

■ POUND IN NEW YORK

May 28	--Latest--	-- Prev. close --
£ spot	1.6280	1.6310
1 mth	1.6256	1.6285
3 mth	1.6210	1.6240
1 yr	1.6044	1.6070

■ OTHER CURRENCIES

May 28	£		$	
Czech Rp	53.6445	53.7427	32.9350	32.9750
Hungary	348.922	349.217	214.220	214.270
Iran	[illegible]	[illegible]	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]	[illegible]	[illegible]
Peru	[illegible]	[illegible]	[illegible]	[illegible]
Poland	5.6975	5.7124	3.4980	3.5050
Russia	[illegible]	[illegible]	[illegible]	[illegible]
U.A.E.	5.9823	5.9854	3.6729	3.6731

POUND SPOT FORWARD AGAINST THE POUND

May 28		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.3638	-0.0837	[illegible]	20.4913	20.3024	20.3201	3.8	20.1624	3.6	19.7187	3.3	103.3
Belgium	(BFr)	[illegible]	-0.2127	[illegible]	60.0270	59.6540	59.5448	3.7	59.1681	3.8	57.7874	3.3	102.8
Denmark	(DKr)	11.0354	-0.0302	304 - 404	11.0900	11.0093	11.0068	2.9	10.9547	2.9	10.7436	2.6	[illegible]
Finland	(FM)	8.8029	-0.0279	[illegible]	8.8480	8.7850	8.7753	3.8	8.722	3.7	8.5226	3.2	81.2
France	(FFr)	9.7115	-0.0311	[illegible]	9.7651	[illegible]	9.6805	3.8	9.6181	3.8	9.3913	3.3	108.2
Germany	(DM)	2.8969	[illegible]	[illegible]	2.9132	2.8880	2.8876	3.8	2.8692	3.8	2.8018	3.3	104.3
Greece	(Dr)	496.708	-4.578	[illegible]	[illegible]	495.639	498.774	-5.0	502.89	-5.0	515.992	-3.9	60.5
Ireland	(I£)	1.1492	-0.0042	[illegible]	1.1550	1.1477	1.1484	0.8	1.1468	1.0	1.1274	1.9	85.2
Italy	(L)	2854.70	-8.45	[illegible]	2870.97	2848.46	2850.32	1.8	2838.73	2.2	2777.80	[illegible]	78.2
Luxembourg	(LFr)	59.7302	-0.2127	[illegible]	60.0270	59.6540	59.5448	3.7	59.1681	3.8	57.7874	3.3	102.8
Netherlands	(Fl)	3.2644	-0.0101	[illegible]	3.2814	3.2574	3.2539	3.9	3.2331	3.8	3.1587	3.3	102.2
Norway	(NKr)	12.2654	-0.0783	[illegible]	12.3844	12.2384	12.2373	2.7	12.1837	2.7	12.0053	[illegible]	95.9
Portugal	(Es)	296.582	-0.931	[illegible]	298.165	[illegible]	295.801	2.9	294.3	3.1	287.569	3.0	92.0
Spain	(Pta)	246.080	-0.443	[illegible]	247.350	245.530	245.463	3.0	244.199	3.1	238.696	3.0	77.0
Sweden	(SKr)	12.7065	-0.0646	[illegible]	12.7740	12.6777	12.6767	2.8	12.6143	2.9	12.3721	2.6	86.1
Switzerland	(SFr)	2.3956	-0.0009	[illegible]	2.4087	2.3858	2.3885	5.7	2.3858	5.7	2.2765	5.2	105.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	103.3
Ecu	-	[illegible]	-0.004	[illegible]	1.4773	1.4674	1.4689	3.1	1.459	3.2	1.4289	3.0	-
SDR†	-	1.221700	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6290	[illegible]	[illegible]	1.6341	1.6214	-	-	-	-	-	-	-
Brazil	(R$)	[illegible]	-0.0036	[illegible]	[illegible]	1.8643	-	-	-	-	-	-	-
Canada	(C$)	2.3717	-0.004	[illegible]	2.3752	2.3609	[illegible]	2.6	[illegible]	2.4	2.3248	2.0	81.4
Mexico	(New Peso)	14.2971	-0.1571	[illegible]	14.3884	14.2348	14.4652	-14.1	14.8084	-14.2	16.2854	[illegible]	-
USA	($)	1.6293	-0.0018	[illegible]	1.6344	1.6217	1.6269	1.7	1.6221	1.8	1.6057	1.5	111.6
Pacific/Middle East/Africa													
Australia	(A$)	2.6210	-0.0037	[illegible]	2.6301	2.6102	2.6159	2.3	2.6048	2.5	2.5602	2.3	83.3
Hong Kong	(HK$)	12.6230	-0.0158	[illegible]	12.6629	12.5666	12.6446	-2.1	[illegible]	-1.8	12.9712	-2.8	-
India	(Rs)	67.4449	+0.0315	[illegible]	67.5290	67.0800	-	-	-	-	-	-	-
Israel	(Shk)	5.9469	+0.0102	[illegible]	5.9546	5.9201	-	-	-	-	-	-	-
Japan	(Y)	225.689	+1.251	556 - 641	226.030	[illegible]	224.409	[illegible]	221.794	7.0	210.889	6.6	111.7
Malaysia	(M$)	6.2973	+0.0218	[illegible]	6.3096	6.1531	[illegible]	-20.0	6.578	-17.8	6.9686	-10.7	-
New Zealand	(NZ$)	3.0566	-0.0017	[illegible]	3.0597	3.0437	3.0589	-0.9	3.0633	-0.9	3.0804	-0.8	98.4
Philippines	(Peso)	63.6243	+0.256	974 - 511	64.0511	63.1874	64.0361	-7.8	64.9458	-8.3	69.4222	-9.1	-
Saudi Arabia	(SR)	6.1110	-0.0067	[illegible]	6.1263	6.0827	6.1042	1.3	6.0897	1.4	6.0439	1.1	-
Singapore	(S$)	2.7283	+0.0084	258 - 307	[illegible]	2.6981	2.7323	-1.8	2.7431	-2.2	2.765	-1.3	-
South Africa	(R)	8.4227	+0.0144	176 - 277	8.4402	8.3395	8.5204	-13.9	8.6292	-9.8	9.091	[illegible]	-
South Korea	(Won)	[illegible]	-19.65	[illegible]	2300.27	2278.87	-	-	-	-	-	-	-
Taiwan	(T$)	53.1800	-0.0827	[illegible]	53.3571	54.9432	[illegible]	-4.1	[illegible]	-3.4	58.1060	-1.8	-
Thailand	(Bt)	65.3350	+0.7434	520 - 180	[illegible]	63.2900	65.7909	-8.4	66.3984	-7.7	70.5066	-8.0	-

† Rates for May 27. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

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EXCHANGE CROSS RATES

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COMMODITIES & AGRICULTURE

Metals mining M&A spending tops $18bn in 1997

By Kenneth Gooding, Mining Correspondent

More than $18bn was spent on mergers and acquisitions in the metals mining and refining industry world-wide in 1997, 50 per cent more than the $12bn for 1996 and 9 per cent ahead of the $16.5bn record set in 1995.

The upward trend is continuing this year and deals valued at more than $15bn were reported in the first four months, according to the latest edition of Who owns Who in Mining, published by the Roskill market analysis organisation.

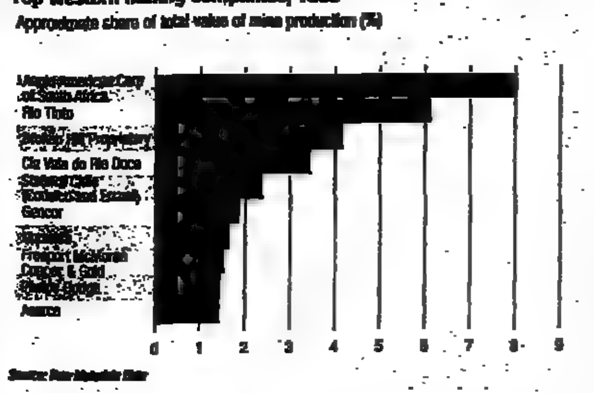
"Mergers and acquisitions have become the most favoured way of expansion in the mining industry," says the Stockholm-based Raw Material Group consultancy, which compiled the data.

It cites several reasons for the takeover "frenzy", including low metal prices and subsequent share values that make it relatively cheap to buy operating companies and mines. Also, the mining and metals industry needs to carry out some restructuring to return it to profitability.

Other factors include the big restructuring taking place in the South African mining industry; further privatisation of state-owned mining assets and the fact that exploration, the alternative to mergers and acquisitions, was badly affected by the Bre-X scandal.

Top western mining companies, 1996

Approximate share of total value of mine production (%)



The biggest deals last year and in early 1998 included Alcoa, the world's largest aluminium group, which took over its US competitor, Alumax, for $3.8bn, and Anglo American Corporation of South Africa, which restructured its main gold assets into Anglogold in a series of mergers that were valued at $3.5bn.

These were the second and third largest deals ever recorded in the mining and smelting sectors, according to RMG. Only RTZ merging with CRA to form Rio Tinto – a deal that helped to swell the 1995 total – was bigger.

RMG says it might be argued that the South African "unbundling" transactions should not be included in the totals since they involve reshuffling paper among existing shareholders "but we have found it important to include these deals, as do local followers of merger and acquisition activity in South Africa".

Other recent big deals include the restructuring of Anglo American's platinum interests into Amplats, worth $1.3bn, and the spinning off of Billiton from Gencor of South Africa for $1.55bn.

The privatisation of 42 per cent of Brazil's big iron ore producer, CVRD, added $3.15bn to the 1997 total, while Newmont's takeover of rival US gold producer Santa Fe Pacific Gold, contributed $2.5bn.

RMG includes, as usual, a list of the world's 50 biggest mining companies, based on the value of the mine production each controls. Because of the time it takes to assemble the data for this league table the survey includes the statistics for 1996.

This will probably be the last time Anglo American will be in the top place it has held since the survey was started in 1975 because recent restructuring of the South African industry has seen its influence over Gold Fields and JCI decline.

In the 1996 list, Noranda of Canada moved up from 11th to 7th place and Barrick Gold, another Canadian group, moved up four positions to 11th. Newmont Mining of the US jumped from 26 to 19, reflecting that in 1996 gold increased relatively in value to copper.

Who owns Who in Mining 1998 from Roskill, 2 Clapham Road, London SW9 0JA, England. E-mail info@roskill.co.uk £280 or US$560.

Palladium hit by talk of leaked supplies

MARKETS REPORT

By Gary Mead

Precious metal traders said yesterday they suspected small supplies of palladium were being leaked into a marketplace starved of the metal – used in electronics and catalytic converters – since the start of this year.

The afternoon "fix" in London of $297 per troy ounce, against the morning's $318, was the lowest since April 2. Lease rates for the metal have also been dropping. The consensus is that metal is being sold, but officially Russia, which accounts for some 70 per cent of the world's production, has yet to resume exports, which have been in suspended animation.

Most other markets were quiet. On the London International Financial Futures Exchange both coffee and cocoa ended the day lower, cocoa being especially battered by sellers in a day of relatively strong volume, with a total of 8,300 lots.

The July cocoa future closed down £24 at £1,108 a tonne, with the fall attributed to the Dutch government's willingness to backtrack on objections to the proposed EU directive allowing vegetable fats in European-produced chocolate.

Coffee futures notched up a heavier volume than of late, with 5,178 lots; the July contract slid to $1,812 a tonne, down $21.

On the London Metal Exchange three-month copper was unchanged by the end of the day at $1,736 a tonne. In a half-yearly update to its base metals review, Billiton Metals warned of slowed growth in demand as a result of the economic woes in east Asia. On aluminium, it said a cumulative surplus of 600,000 tonnes in 1998-99 would help depress prices.

Trepca complex shrouded in secrecy

The smelter in Kosovo, a 'jewel in the crown' of Serbia's privatisation plans, says it is running at full capacity, but critics beg to differ, write **Guy Dinmore** and **Kerin Hope**

The true state of the Trepca smelting complex and its five lead-zinc mines in Kosovo is shrouded in secrecy as thick as the smog surrounding it.

Novak Bijelic, the state-owned complex's general manager, who runs an empire of mines and factories with 15,000 workers, describes himself as Serbia's "soft metals king".

He insists the complex is running at full capacity but others paint a different picture, of production being far from capacity and of a shortage of workers.

However, strong interest is being shown in the complex by Mytilineos, a fast-growing Greek metals trading group that is listed on the Athens stock exchange. It claims to have revived the Trepca operation through a $517m deal signed in 1996.

Trepca is one of two big mining complexes in Serbia which the government considers the "jewels in the crown" of its stalled privatisation programme. The other is RTB-Bor, a copper and gold mining operation, which is Europe's second biggest copper producer excluding Russia.

Any hope of Trepca's privatisation needs to be set in the context of significant civil unrest in the region. Just a few miles from the complex (which includes the Stari Trg mines, once the third biggest producer of lead and zinc in Europe) separatist Albanian rebels are battling with Serbian security forces.

Mr Bijelic feigns indifference to the conflict on his doorstep: "Some foreign investors are hesitating but when they see we are exporting metal regularly, they calm down. I take them 1,000 metres down the mine and put them on a helicopter back to Belgrade and they are happy . . . I told them you Europeans are stupid. You think you can make profits within the European Union. You've squeezed out everything. Here we are talking about an 18-fold increase."

The Trepca empire – founded by a British mining company in the 1920s – now embraces 32 towns, 14 lead and zinc mines across Serbia, two metal plants and even a vast farm in northern Serbia. For more than 10,000 ethnic Albanians who used to work around Kosovska Mitrovica, the mines were the core of their close-knit community and the sole source of their livelihood.

That life fell apart in February 1989 when miners at Stari Trg staged an eight-day hunger strike 1,000 metres underground in protest against plans by President Slobodan Milosevic to centralise power and strip Kosovo of its broad provincial autonomy. The miners said they wanted to save the old Yugoslavia. Belgrade denounced them as "separatists" and arrested them.

Byrhan Kavaja, an ethnic Albanian then general manager of Stari Trg, was jailed for 14 months for his role in the protests. Jobless, along with nearly all the ethnic Albanian miners, he now leads a campaign to deter foreign investors from supporting Trepca. "Trepca is something Albanians would give their lives for," he says.

Mr Bijelic, insisting that the complex is running at full capacity, says miners volunteer to work there and Polish experts are busy underground in Stari Trg. He says seven foreign investors have contracts and want co-ownership of Trepca; but he declines to name them.

Production worth $370m is planned this year and the target for exports is $129m. Mr Bijelic refuses to reveal any other figures and denies Trepca has to import lead-zinc ore to keep the smelters functioning.

Others tell a different story. Gypsy miners emerging from Stari Trg say the imported Polish workers left this month, dissatisfied with poor pay and worried about the threat of war.

A quick tour of Trepca reveals that only one of three smelters is operating. Equipment is at least 20 years old but a new smelter is said to be under construction, although no construction workers are to be seen.

Mr Kavaja says in his day the 2,860 workers in Stari Trg produced 850,000 tonnes of ore a year, but current output is less than half that and the mine has only 730 employees. He claims that until last year prisoners of war from Bosnia and Croatia kept the mine working.

Serbian critics allege that Trepca is producing 20,000 tonnes of lead and 15,000 of zinc, less than a third of planned output, and that it owes about $14m to local companies and does not pay its water or electricity bills.

Mytilineos's five-year contract gives it the right to buy 60,000-70,000 tonnes a year of lead and zinc at a discount to the spot market. Mytilineos, which also plans to invest in RTB-Bor, has first right of refusal when Trepca is offered for sale.

In return, the Greek group undertook to invest in modernising the complex, provide working capital and supply additional lead and zinc concentrates for processing from mines it operates in Macedonia or from the international market. A Trepca manager admitted that one third of the ore processed at Trepca is imported.

Evangelos Mytilineos, chief executive, said in Athens that output at Trepca was improving thanks to the company's $40m investment in upgrading two lead and zinc smelters and refurbishing the mines. But he declined to give production details.

He told the FT: "Things are going better than you would expect, given the circumstances. For example, we have a 2,500 tonne shipment of lead leaving for Italy shortly. That is a big amount in the lead business."

Trepca and Mytilineos

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1345-46	1373-74
Previous	1339.5-40.5	1369-0
[illegible]	[illegible]	[illegible]

Precious Metals continued

GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	292.7	-1.0	294.2	292.3	35,866	22,007
Aug	295.6	-0.8	297.0	295.3	42,625	58,602
Oct	297.8	-0.8	299.5	297.5	125	5,068
Dec	299.8	-0.8	301.3	299.3	2,183	20,007
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GRAINS AND OIL SEEDS

WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	76.30	+0.55	76.60	75.75	33	1,261
Sep	76.15	+0.40	-	-	-	188
Nov	78.15	+0.40	78.25	78.00	35	3,181
Jan	80.15	+0.40	-	-	-	733
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOFTS

COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1096	-24	1113	1089	21	30
Jul	1108	-24	1132	1107	3,651	26,366
Sep	1130	-24	1150	1129	2,186	21,532
Dec	1151	-23	1170	1131	1,211	32,866
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	64.125	-0.300	64.800	64.025	9,166	29,289
Aug	66.275	+0.050	66.950	66.125	5,650	33,641
Oct	68.475	+0.025	68.900	68.325	3,187	16,679
Dec	67.825	-0.025	68.200	67.600	618	8,062
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENERGY

PRECIOUS METALS

LONDON TRADED OPTIONS

LONDON SPOT MARKETS

PULP AND PAPER

FUTURES DATA

All futures data supplied by CMS.

Wool from Mallett & Co

New Zealand's market indicator this week rose by 9 cents compared with the last sale two weeks ago. Australia was down over three days' auctions to 600 cents from 606 cents a week ago. Clearances in New Zealand were about 90 per cent under good competition. Australian wool growers, dissatisfied with prices, continued to withdraw wool before and during auctions in Sydney, Adelaide and Fremantle. Only wool withdrawn at auction is fully revealed and was put at 25-28 per cent. But trade sources estimate that as much as a third of wool originally scheduled is being held back before marketing auction.

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

Reuters (Base: 18/9/31 = 100)

May 28	May 27	month ago	year ago
1612.5	1620.6	1694.2	2023.4

CRB Futures (Base: 1967 = 100)

May 27	May 26	month ago	year ago
214.61	215.92	-	-

GSCI Spot (Base: 1970 = 100)

May 27	May 26	month ago	year ago
156.88	157.03	164.33	196.41

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-1,500	to	544,000
Aluminium alloy	-40	to	52,900
Copper	-1,900	to	294,475
Lead	-100	to	106,550
Nickel	[illegible]	to	[illegible]
Zinc	-1,925	to	[illegible]
Tin	-	to	5,445

JOTTER PAD

CROSSWORD

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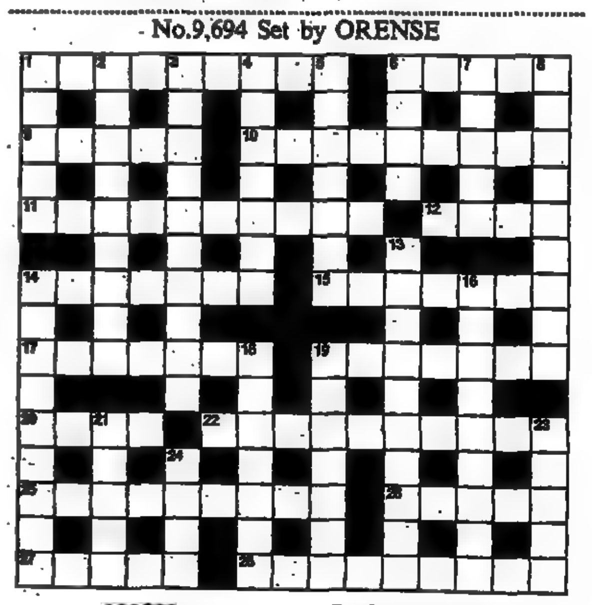


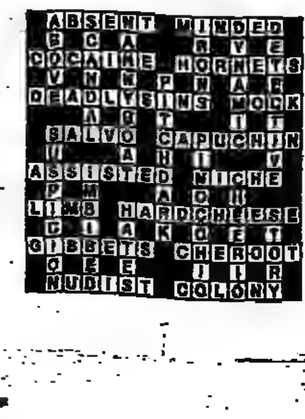
ACROSS

1 Christmas tree club's got some tinsel and stars (9)
6 Objective for retirement on the way to Atlantic city (5)
9 Accountant chasing fortune largely in Tuscany (5)
10 Worry about chap with vacant lease in Australia (9)
11 Fails to take backer to the City (3,7)
12 Stop TV doctor article (4)
14 Profit on musical goes to one's head (7)
15 What's the fare by boat? (7)
17 Takes the air in fashionable hotel with porters (7)
19 Renounce the world in doubt (7)
20 Island's first supply ship (4)
22 Ship is finally rebuilt at a marina (5,5)
25 Rotten season for new issue (9)
26 No girl returns this material (5)
27 Bar persons drink thus (5)
28 Loan aided redevelopment, in a manner of speaking (9)

DOWN

1 Great house adopted a tradition of bloodletting (5)
2 Craftsman shuts up, hearing lie (9)
3 Annually takes in half of training, with feeling (10)
4 Eccentric's bad timing (7)
5 Dredges river locks (7)
6 Grumble about talk of cut back (4)
7 Put it in a church letter (5)
8 National ride arranged with clean tactics (9)
13 Part of the service round California way (10)
14 Heavy fall that one might greet with rage (9)
16 Prevailed concerning decision to initiate debate (9)
18 Cheers up, but lacks energy for endurance (7)
19 Lose strength through busting a gut if finishing late (7)
21 Swarms of fliers on the way back (5)
23 Cancel year in Rome almost before finishing school (5)
24 Provide access to ring and enclosure (4)

Solution 9,693



FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

State Street On The Ageing Population

THE NUMBER OF PEOPLE OVER 60

It's hard to imagine people outliving their retirement funds. It's

WILL TRIPLE BY 2030. IT'S TIME FOR

harder still for institutional investors to help prevent it from

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happening. The best way is with State Street. We'll help you better

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serve your investors' every need. Now. And in the distant future.

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ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

Offshore Funds and Insurances

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American Phoenix Investment Portfolios (u)

Foreign & Colonial Emerging Markets Ltd (u)

Morgan Stanley Sicav - Contd.

ACM Offshore Funds - Contd.

Credit Suisse Asset Mgmt Funds - Contd.

Merrill Lynch Asset Management - Contd.

Swiss Bank Corporation - Contd.

Equity Fund Managers

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

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	Selling Price	Buying Price	+ or -	Yield Gross
Premier Life				
1 Rue Emile Bian, Luxembourg			Tis 2808 Tel 4050781	
Davenport Chelsea £ Fd	£1.43	1.84	+0.04	–
[illegible]				
Professional Investment Consultants				
[illegible]				
Royal & Sun Alliance Intl Financial Services				
Royal Court, Arbory Rd, Castletown IoM			01624 821212	
[illegible]				
Royal Skandia Life Assurance Ltd (z)			01624 611611	
[illegible]				
Asia Pacific Securities Corp Ltd				
[illegible]		$8.34	–	–
Asian Convertibles & Income Fd (Cayman)				
NAV May 22		$11.15	–	–
Atlantico Investment Ltd				
Atlantico Liber Plus Jan 2		$107.81	–	–
Atlantic Investment Management, Inc				
[illegible]				
Atlantis Fund Management (Guernsey) Ltd				
[illegible]				
Atlas Management Limited				
Managed	$10.89	10.59	–	–
Atlas Real Estate Hedge Fund Limited				
NAV Apr 30		$110.4	–	–
Aurum Funds				
[illegible]				
BEA Associates				
[illegible]				
BNP				
[illegible]				
Julius Baer Bank & Trust Co Ltd				
[illegible]				
Bahia Fund				
[illegible]				
Banca Bois, S.A. (Principality of Andorra)				
[illegible]				

OTHER OFFSHORE FUNDS

[illegible]

Birmingham welcomes the CBI Conference for the fourth year out of five.

(It seems British industry really knows where it's going.)

the icc birmingham

Birmingham

[illegible]

● MANAGED FUNDS NOTES

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Allied Domecq	†♣	605xd	-1½	648	407½	2,489	4.1	14.8
Bulmer (HP)	†	397½	---	952½	395	-	5.2	11.1
Burn Stewart	‡	21	---	70½	19½	6	10.1	-
Diageo	♣	712xd	-23	784	432	3,416	3.5	31.1
Glenmorangie A	♦	780	---	895	755	-	2.3	♦
B	♦	882½	---	1090	890	-	1.0	♦
Highland	†	308½xd	---	347	258	62	3.7	14.2
5¾pc Cv Sb Bd		98	---	99½	85½	-	5.9	-
Kirin Y	§	569¼	+4¼	854¼	476¼	-	0.9	-
Matthew Clark	♣‡	201½	-1	277½	157	30	12.4	6.5
Merrydown	‡	52	---	108½	37½	-	7.5	-
Seagram C$		£26⅞	-⅛	£28¼	£18¼	-	1.0	-

CONSTRUCTION - Continued

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Tay Homes	♣†	126	-½	159½	114	20	7.5	10.2
Taylor Wood	♣♣	221½xd	-1½	228	163	250	1.9	17.6
Tilbury Douglas	♣	285xd	+1	*307	190	57	4.2	15.7
Try		25	---	29½	16¼	35	2.9	9.5
Unity Cable		4¼	---	16	2½	50	-	-
WE	♣†	95	---	95½	78	-	2.8	21.2
Vibroplant	♣	78½	---	83½	61½	-	6.4	-
Wakelings	♣	136	---	182½	109½	2	4.4	14.0
Ward Hldgs	♣	58½	+1	74½	38½	-	6.4	7.2
Westbury	♣♣	265xd	-½	*272½	220½	65	3.5	11.4
Wiggins Group	♣	12½	---	15	9¼	1,740	-	18.7
Wilson (Connolly)	♣	167½xd	---	191	139½	8	4.7	♦
Wilson Bowden		782xd	+1	782	494½	0.588	2.2	14.4
Wimpey (G)	♣	131½	---	148½	92½	156	5.4	10.0

BANKS, RETAIL

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
ABN Amro Fl.		£14½	-⅛	*£16¼	£10⅞	-	2.1	21.2
ANZ A$		428¼	+12½	518¼	372½	-	4.9	♦
Abbey National		1088	+25	1345	779½	2,082	3.5	16.7
Alliance & Leicester	♣	817	+10	1032	565	1,104	3.2	16.5
Allied Irish I£	♣	794½	+21	854	459½	-	2.3	22.3
Anglo Irish I£	♣†	164xd	+5	177	75½	90	2.4	22.7
Asahi Y		232½	-13	538	181	-	1.3	-
Banco Bilbao Viz Pta	§	£31½	-⅛	*£32¼	£14⅝	-	1.2	♦
Banco Santander Pta	†	£31½	-⅛	*£32¼	£14⅝	-	1.4	31.5
Bank Ireland I£	♣	1135	+25½	1308	645	-	2.2	♦
Bank Scotland	♣	694xd	+1	813	358	3,723	1.8	18.6
9¼pc Ird Pf		158xd	-	162¼	117¼	-	7.3	-
9¾pc Ird Pf		169¼xd	-	170½	127¼	-	7.3	-
Bk of Tokyo Mitsubishi Y		655	-3	£12½	655	-	0.6	♦
Barclays		1648	-5	1998	1066	4,829	2.8	15.3
Dai-Ichi Kangyo Y		537	-½	1,035	525	-	1.1	-
Deutsche DM	§	5,253½	+½	*5,253½	3,342	-	1.2	-

[illegible]

DISTRIBUTORS

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Abacus Polar	†	192½xd	---	212	94	28	7.8	7.3
Abbeycrest		102½	---	182½	98½	-	3.3	♦
Acal	♣†	354	---	479½	304½	-	3.5	11.5
Action Computer Supp.	♣†	249xd	---	257½	149½	-	1.4	20.8
Adam & Harvey	♣†N	317½	---	418	275	-	8.9	4.8
African Lakes		60½	---	65½	44½	-	-	-
Alexanders	♣	24	+1	24	6⅞	95	-	-
Asr. Br Eng		1½	---	3½	1	20	-	59.8
Autolines Seven		£18¼	+⅛	£18¾	£15⅛	-	0.8	18.9
BSS	♣†	354	-½	390	250	-	7.4	18.6
Bearing Power	♣	17½	-½	20½	17½	-	-	-
Bogod A		34½	---	38½	34½	-	3.3	5.5
Brammer	‡	732½xd	+1½	732½	538	295	2.9	16.4
Brichend	♣	14	---	21	10½	-	1.8	22.3
Bro Fittings	♣	107½	---	115½	79	-	5.9	8.9

[illegible]

ENGINEERING - Continued

[illegible]

EXTRACTIVE INDUSTRIES - Continued

[illegible]

INSURANCE - Continued

[illegible]

INVESTMENT TRUSTS - Continued

[illegible]

FOOD PRODUCERS

[illegible]

BREWERIES, PUBS & REST

[illegible]

INVESTMENT TRUSTS

Approved by the Inland Revenue

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ENGINEERING, VEHICLES

[illegible]

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ELECTRICITY

[illegible]

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING, VEHICLES - Continued

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

CHEMICALS

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

CONSTRUCTION

[illegible]

ENGINEERING

[illegible]

INSURANCE

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Continued

PROPERTY

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Continued

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AIM

AIM - Continued

AMERICANS

CANADIANS

SOUTH AFRICANS

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GUIDE TO LONDON SHARE SERVICE

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Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols relating to dividend status appear in the major column only as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1485 a year for each security shown, subject to the Editor's discretion.

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Leading shares fail to sustain their recovery

MARKET REPORT

By Philip Coggan, Markets Editor

An element of calm returned to world stock markets yesterday, but it was not enough to allow the FTSE 100 index to recover from Wednesday's losses.

After London closed on Wednesday, the Dow Jones Industrial Average turned a 100-point plus deficit into a 27-point loss. Wall Street was stable again yesterday, recovering from an early loss to be 10-20 points up as UK trading finished.

But while Footsie started the day solidly enough, regaining the 5,900 level in the first half hour, the market lost its impetus late in the morning. By mid-afternoon, the blue chip index had retreated 53.7 to 5,816.5. At the close, it was 7.9 points down at 5,862.3.

Philip Isherwood, UK strategist at Dresdner Kleinwort Benson, said the market was involved in a sideways churn. "There's a bit of confusion on the domestic side about interest rates and also concern about events in Asia and Federal Reserve policy in the US."

The latest domestic economic evidence came in the form of the industrial trends survey from the Confederation of British Industry. It showed that export orders were at their lowest level since January 1983, in spite of the recent fall in the pound. Total order books also fell.

But the CBI had some better news on inflation, with the survey reading on price expectations reaching the lowest level yet recorded.

Adam Cole, UK economist at HSBC Securities, said the survey was "even gloomier than might have been expected. Output expectations point to on-going recession in manufacturing, while the price expectations series suggests out-and-out deflation in the sector is just around the corner."

The survey seemed to have helped remove a little of the upward pressure on sterling which fell 1 pfg against the D-Mark to DM2.8956. Gilts were flat.

Meanwhile, the London Stock Exchange revealed plans to delay market opening time to 9am to tackle the lack of liquidity, to reduce the pre-market trading period to 10 minutes and, as of December, to introduce a volume-weighted average closing price to eliminate erratic prices at the end of the day.

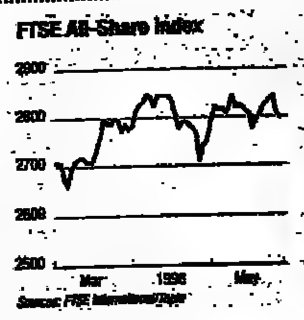
The proposals are designed to tackle liquidity problems with the order-driven trading system introduced last year.

Activity was fairly robust yesterday. Volume was 992.7m shares by the 6pm count, of which 60 per cent was in non-Footsie stocks. Of the latter, 91m shares were traded in the penny stock Tamaris.

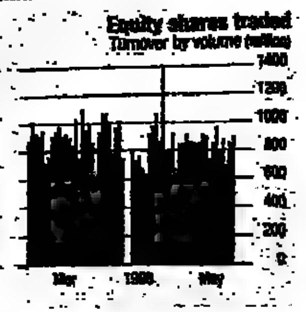
The FTSE 250 index extended its "lead" over Footsie, rising 17.7 to 5,898.5 while the SmallCap dropped 3.6 to 2,769.6.

Technical analyst Brian Marber says that the last 7¾ years in the UK stock market look remarkably like the 7¾ years that led up to August 1987. At that point, the stock market suffered a 9 per cent reaction before its big fall in October.

Mr Marber says that the charts could point to a 9 per cent reaction this time. The market is in a triangle pattern; if it breaks out on the downside, by closing below 5,826, it should fall 9 per cent from the 6,105 high.



Source: FTSE International/Datastream



Indices and ratios

FTSE 100	5862.3	-7.9	FT 30	3834.9	-19.4
FTSE 250	5898.5	+17.7	FTSE Non-Fins p/e	23.33	23.43
FTSE 350	2860.9	-1.4	FTSE 100 Fut Jun	5881.0	+21.0
FTSE All-Share	2798.68	-1.52	10 yr Gilt yield	5.78	5.77
FTSE All-Share yield	2.81	2.80	Long gilt/equity yld ratio	2.11	2.11

Best performing sectors

1 Diversified Inds ... +1.6
2 Water ... +1.5
3 Transport ... +1.3
4 Tobacco ... +1.2
5 Building Mats & Merch ... +0.9

Worst performing sectors

1 Alcoholic Beverages ... -2.5
2 Extractive Inds ... -2.5
3 Retailers, Food ... -1.2
4 Electronic & Elec ... -1.2
5 Property ... -1.0

Buy-back hopes at Thames

COMPANIES REPORT

By Peter John and Steve Thompson

Thames Water outpaced generally strong utilities as encouraging figures from rivals within the sector compensated for the company's Indonesian hiccup.

The company had a £250m contract to supply water to eastern districts of Jakarta suspended on Tuesday.

However, the following day Anglian started the sector results season with a share buy-back and investors believe Thames is the most likely to follow suit.

Analysts say that when it reports next week, Thames could comfortably buy back up to 10 per cent of its equity for about £350m. If it did so it would be likely to follow Anglian's route of a "B" share offer, avoiding advance corporation tax.

Bruce Bromley of Crédit Lyonnais said: "We know the management is not shy of handing cash back to shareholders and a 10 per cent buy-back would still leave interest cover quite high and very manageable."

The broker also believes the company will come in with a 26p final dividend, reflecting 9 per cent real growth. The shares jumped 30 to 990p.

There have been numerous warnings from old market hands that the huge rise in Desire Petroleum shares might well end in tears, with small investors suffering from burnt fingers. This came to pass yesterday with news that an exploration well, drilled off the Falkland Islands by an Amerada Hess-led consortium that includes Desire, had been abandoned as uncommercial.

Floated at 125p only last month and driven up to almost 500p last week amid rumours of a big oil find, Desire shares plummeted around 150 at worst yesterday before stabilising and ending the day a net 117½ or 31 per cent lower at 260p. Late on Wednesday afternoon, the stock had fallen 67½p.

Halifax saw very heavy turnover again as overseas investors bought the stock aggressively following news that it had moved into the influential Morgan Stanley Capital International index.

Dealers said that 1 per cent of the equity had changed hands in the past three days and that the appetite for stock from overseas investors was so great that Morgan Stanley, the US broker, was apparently buying at 940p a share, while Goldman Sachs was also active.

The shares hit a high of 941p – up almost 100p since the start of dealing on Tuesday. However, profit-taking took them back to end the day 27 lower at 896p on volume of 25m shares.

Selected banking stocks rose against the trend as brokers began to anticipate activity in the sector over the next couple of weeks.

All the big banks will hold briefing sessions for analysts ahead of their close season and are expected to make confident noises.

Merrill Lynch, which discussed the prospects for the sector at its morning meeting yesterday, said that earnings forecasts for banks had remained steady over the past three months while those for the market as a whole had been cut by 2 per cent.

Alliance & Leicester, which is seeing analysts early next week, rose 10 to 817p and Abbey National improved 25 to £10.89.

Mirror Group moved forwards as the market prepared for an offer from Axel Springer of Germany.

The German company is waiting to see if any other offers materialise following the aborted talks between Trinity International and Mirror.

Having had its hand forced by market speculation at the end of last week Springer is playing for time. It wants to see if other international rivals emerge.

Those cited include De Telegraaf of the Netherlands, France's Générale des Eaux – now called Vivendi – which recently acquired Havas of France, or Bertelsmann of Germany, which was linked by rumour to Random House of the US.

But analysts are convinced of Springer's commitment to a UK deal and say an offer is imminent. Some said an announcement could surface early next week although others suggested nothing would happen for a fortnight. Mirror shares gained 2¼ to 246p.

Rio Tinto slides

Rio Tinto, one of the world's biggest miners, fell 32 to 755p, reflecting a heavy slide in its Australian-quoted shares and weak metal prices.

Retailing giant J Sainsbury touched 500p at one point, before finishing the day a net 3¼ up at 495¾p, responding to a bullish recommendation from SBC Warburg, dealers said.

The strength of Sainsbury came partly at the expense of the rest of the sector, especially Tesco, which finished 21 lower at 539p, the second-worst individual stock in the FTSE 100, amid flurries of switching between the two leading supermarket groups.

Tesco was additionally unsettled by news that Tommy Hilfiger, the US fashion desinger and retailer, is seeking unspecified damages against the UK company, which it alleges sold counterfeit Tommy Hilfiger goods in one of its recent promotions.

Strong performances of two of the leading food producers, Hillsdown and Booker, helped the FTSE 250 resist the downward pressures being exerted on the leaders and small caps.

Hillsdown was among the market's most actively traded stocks in the wake of confirmation that Unigate had revived takeover talks with the company, which could lead to it making a 217p agreed bid.

Hillsdown rose 8 to 205¼p, while Unigate slipped 16 to 636½p.

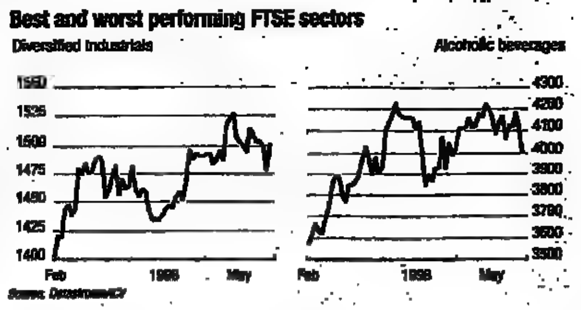
Booker, meanwhile rose 12¼ to 298p, up 4.4 per cent on the day and the second-best performer in the FTSE 250, amid persistent takeover speculation.

Stakis, the Glasgow-based hotel, casino and health club group, moved up 4 to a peak of 143p as the market registered its pleasure with a sparkling set of interim results.

Cable & Wireless was among Footsie's front-runners in the early part of the day, with the market giving an initial thumbs-up to its proposed acquisition of the internet business of MCI, the US telecoms group, for $625m.

At their best the shares hit 700p, up 21p, only to give ground with the rest of the market and finally end the session a net 4 lower at 675p after hefty turnover of 8.2m.

Best and worst performing FTSE sectors



Source: Datastream/ICV

FT 30 INDEX

	May 28	May 27	May 26	May 22	May 21	Yr ago	*High	*Low
FT 30	3834.9	3854.3	3900.1	3888.9	3883.7	2897.8	3920.3	3816.5
Ord. div. yield	2.88	2.87	2.84	2.84	2.86	3.65	4.22	2.79
P/E ratio net	23.89	23.99	24.27	24.20	24.16	18.18	25.41	16.86
P/E ratio nil	23.68	23.78	24.06	23.98	23.94	17.98	25.19	16.71

FT 30 since compilation: high 3920.3 11/05/98; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3854.3	3868.7	3872.5	3853.1	3846.0	3839.8	3837.0	3832.5	3832.0	3877.2	3816.5

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STOCK MARKET TRADING DATA

	May 28	May 27	May 26	May 22	May 21	Yr ago
SEAQ bargains	87,446	78,010	87,025	81,875	82,886	41,194
Equity turnover (£m)†	-	2827.1	3065.0	3845.9	2891.6	2370.0
Equity bargains†	-	58,449	58,382	51,551	52,519	39,418
Shares traded (m)†	-	746.0	784.4	689.6	769.6	703.4
Total market bargains‡	-	77,179	70,253	82,107	64,211	-
Total turnover (£m)‡	-	4077.4	4063.54	3643.7	4141.1	-
Total shrs traded (m)‡	*992.7	997.0	970.7	903.8	982.3	-
Tradepoint turnover (£m)	33.5	33.2	26.3	27.1	24.2	1.7
Tradepoint shrs traded	11,730	11,040	7,7067	8,301	8,018	842

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover. § Crest/Ex.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	744	Total Highs	146	Total contracts	na
Total Falls	806	Total Lows	58	Calls	na
Same	1,448			Puts	na

May 28 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	5940.0	5881.0	+21.0	5941.0	[illegible]	23481	158336
Sep	6014.0	5957.0	+21.0	6014.0	5922.0	679	13699
Dec	-	6039.0	+21.0	-	-	0	250

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	5916.0	+16.0	-	-	0	5843
Sep	-	6011.0	+16.0	-	-	0	1115

■ FTSE 100 INDEX OPTION (LIFFE) (May 27) (*5950) £10 per full index point

	5700 C	5700 P	5750 C	5750 P	5800 C	5800 P	5850 C	5850 P	5900 C	5900 P	5950 C	5950 P	6000 C	6000 P	6050 C	6050 P
Jun	241	83½	204	95½	172½	115	143	135½	118½	157	91	185½	67½	215	52	256½
Jul	318½	133	286½	151½	257	172	228	193	198½	215	172½	241	151	270	130	300
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	447	225½	416½	244	386½	263½	358½	282½	327	302½	297	324	274½	350½	252½	373
Dec†	613	303			551	340½			494½	380			435	424½		

Calls 2,917 Puts 3,809

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) (May 27) £10 per full index pt

	5675 C	5675 P	5725 C	5725 P	5775 C	5775 P	5825 C	5825 P	5875 C	5875 P	5925 C	5925 P	5975 C	5975 P	6025 C	6025 P
Jun	259½	75½	223½	88	190	105½	158	124½	131	146	108	171	86	195½	65½	229½
Jul	340½	129½	308½	145	274	162	243	180½	214	201½	187	223½	162	248	138	274½
Aug	407½	161½	374½	198	343	215½	313	234½	284½	255	257½	277	232	300½	208	326
Sep			431½	225			371	263			313½	302½			282	349
Dec†			580½	299½			518½	334½			460	371			407	412½

Calls 2,582 Puts 6,007 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§90	F.P.	17.2	102½	[illegible]	†Ardent Media	90	+1	-	-	-	-
*	F.P.	14.7	235	232½	†Ambition Pub Co	235		-	-	-	-
-	F.P.	-	62	59	Ascot B	61		-	-	-	-
-	F.P.	219.0	40	36	BTR Red Prf B	37½		4.75	-	15.8	-
-	F.P.	21.9	98	87½	Baronsmead VCT 2	87½		-	-	-	-
4	F.P.	1.11	5½	5	†Capital O.R. [illegible]	5½		-	-	-	-
-	F.P.	0.65	1¾	1	†Do Warrants	1¾		-	-	-	-
-	F.P.	34.3	160½	147½	City North Gp	159½		R2.2	1.8	1.7	40.3
-	F.P.	123.1	495	125½	†Desire Petroleum	260	-117	-	-	-	-
§30	F.P.	17.0	32½	22½	†Clemente Fin.	25½	-1	-	-	-	-
-	F.P.	-	10½	3½	†Do Warrants	10		-	-	-	-
*	F.P.	14.3	96	95	Eldersfield Dev VCT	96		-	-	-	-
§220	P.P.	148.3	242½	222½	Eskmuir Props	238	-½	-	2.1	-	18.6
-	F.P.	20.1	20	18½	GRE Red Prf B	20		-	-	-	-
-	F.P.	0.64	25	25	Hawleys B	25		-	-	-	-
§180	F.P.	58.1	294½	182½	ICM Computer	294½	+10½	L2.83	2.6	1.1	43.1
§325	F.P.	22.0	400	350	†Inter-Alliance	400		-	-	-	-
§100	F.P.	31.3	181½	114½	JWE Telecom	181½	+[illegible]	M1.54	3.9	1.2	27.1
-	F.P.	114.1	94½	71½	Lonrho Africa	72½	-1	L2.3	4.2	4.0	7.4
-	F.P.	233.9	288	272½	Melalon	279½	-[illegible]	L8.0	2.5	2.2	22.6
*	F.P.	-	100	100	Pennine Downg VCT	100		-	-	-	-
-	F.P.	-	140½	130½	Taiwan IT GDR	140		-	-	-	-
§200	F.P.	155.6	240½	203½	Taylor & Francis	237½		L3.8	2.4	1.6	20.2
§170	F.P.	1,270	200	187	Thomas Travel	187	-3½	W2.8	2.9	1.8	22.7

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	May 27	% chg on day	May 26	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1089.41	-4.2	1137.40	1577.59	2.10	-	1586.47	891.23
■ Regional indices								
Africa (14)	1183.49	-7.4	1277.59	1790.13	4.80	28.49	1751.21	921.78
Australasia (7)	1308.14	-3.9	1361.61	1787.42	2.64	18.90	1787.42	933.83
North America (11)	1039.63	-2.9	1071.03	1513.20	1.20	40.21	1574.16	804.98

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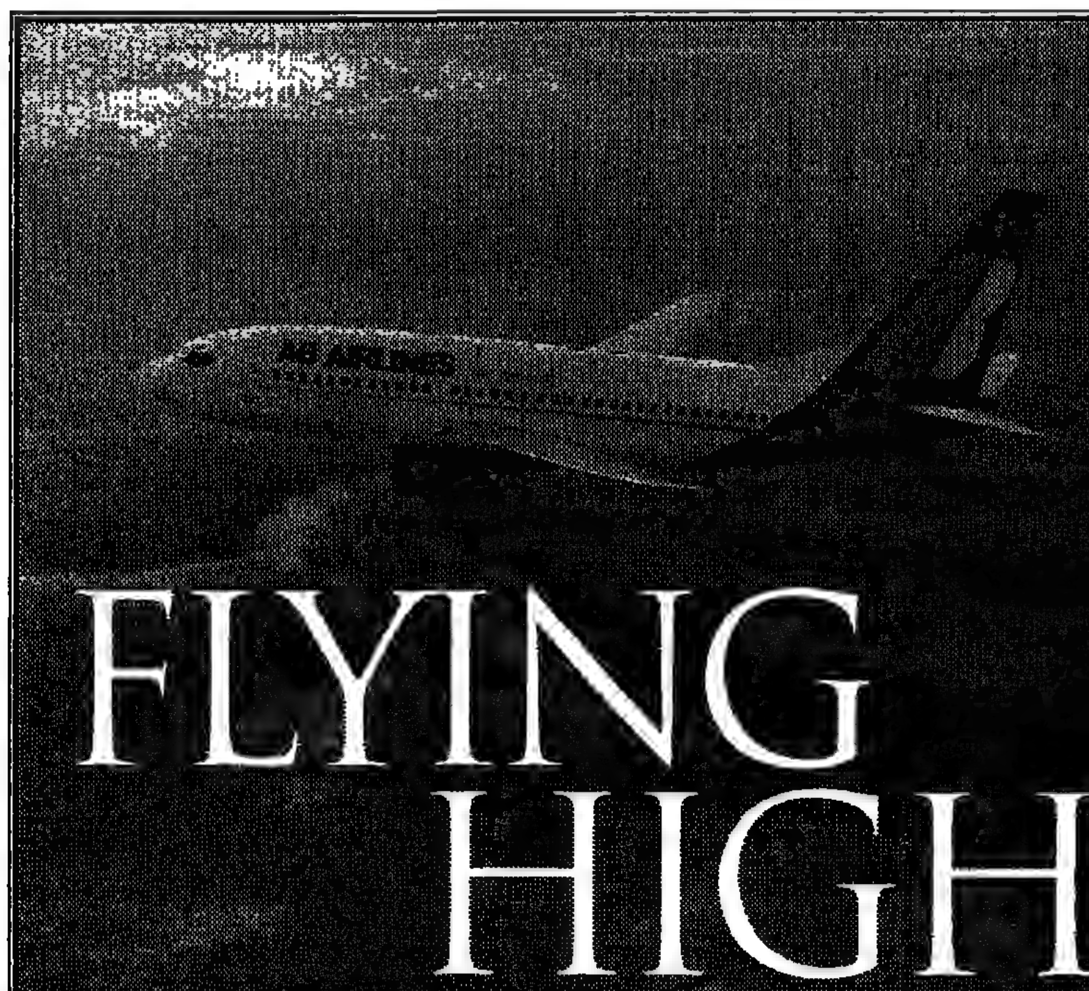

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	May 28	Day's chge%	May 27	May 26	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5862.3	-0.1	5870.2	5970.7	4672.3	2.80	2.37	2.04	21.83	70.19	2551.89
FTSE 250	5898.5	+0.3	5880.8	5920.9	4508.2	2.81	2.37	2.04	21.82	57.29	2524.21
FTSE 250 ex IT	5965.0	+0.3	5945.8	5980.1	4517.8	2.88	2.44	2.10	20.64	59.81	2582.43
FTSE 350	2860.9	—	2862.3	2905.5	2261.9	2.81	2.37	2.04	21.83	32.96	2653.90
FTSE 350 ex IT	2863.8	-0.1	2865.1	2908.3	[illegible]	2.82	2.38	2.05	[illegible]	33.33	1311.21
FTSE 350 Higher Yield	2787.5	+0.2	2782.8	2828.0	2202.4	3.82	3.05	1.60	18.95	40.44	2124.95
FTSE 350 Lower Yield	2941.5	-0.2	2947.5	2989.6	2326.8	2.06	1.72	2.19	27.59	26.87	2135.30
FTSE SmallCap	2769.58	-0.1	2773.16	2792.73	2298.88	2.79	2.28	1.61	27.83	24.43	2404.79
FTSE SmallCap ex IT	2774.96	-0.1	2778.61	2793.55	2286.91	2.97	2.41	1.67	25.15	25.67	2433.91
FTSE All-Share	2798.68	-0.1	2800.20	2841.04	2220.52	2.81	2.36	2.01	22.13	31.74	2535.32
FTSE All-Share ex IT	2803.28	-0.1	2804.92	2845.66	2219.86	2.83	2.39	2.03	21.74	32.24	1306.56

■ FTSE Actuaries Industry Sectors

	May 28	Day's chge%	May 27	May 26	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(22)	4796.45	-0.3	4812.29	4869.79	4412.95	3.18	2.74	1.72	22.84	74.18	2206.50
12 Extractive Industries(8)	3023.45	-2.5	3099.41	3160.69	4442.92	4.65	4.28	2.02	13.27	76.82	954.26
15 Oil, Integrated(4)	5385.64	—	5386.06	5445.55	4566.06	3.13	2.66	1.64	24.32	79.87	2546.39
16 Oil Exploration & Prod(12)	3401.47	-0.8	3427.97	3464.52	3584.03	1.66	1.39	1.98	37.95	31.12	[illegible]
20 GEN INDUSTRIALS(220)	2432.16	+0.5	2420.80	2447.15	1929.72	3.06	2.66	2.21	18.80	28.39	1427.70
21 Construction(38)	1719.78	+0.5	1711.02	1713.47	1391.04	2.84	[illegible]	2.65	16.62	18.68	1533.31
22 Building Matls & Merchs(37)	2045.65	+0.9	2026.62	2029.54	1871.50	3.86	3.11	2.09	16.90	29.76	1113.91
23 Chemicals(24)	3123.28	+0.5	3107.54	3099.14	2389.71	3.08	2.62	1.73	23.88	41.83	1598.86
24 Diversified Industrials(10)	1501.48	+1.5	1479.00	1496.82	1322.28	3.61	3.40	2.40	14.44	20.65	922.70
25 Electronic & Elect Equip(39)	2769.82	-1.2	2802.31	2871.97	2058.26	3.12	2.52	1.62	24.73	21.46	1526.30
26 Engineering(62)	3295.91	+0.8	3268.21	3318.94	2519.74	2.82	2.50	2.44	18.18	37.20	2124.83
27 Engineering, Vehicles(10)	4526.62	+0.1	4520.41	4622.19	2841.53	1.97	1.80	3.31	[illegible]	39.42	2493.04
28 Paper, Pckg & Printing(29)	2533.40	+0.1	2531.17	2540.33	2199.64	4.02	3.38	2.22	13.97	35.35	1143.17
30 CONSUMER GOODS(82)	5877.84	-0.4	5899.41	5929.33	4516.81	2.58	[illegible]	1.84	26.39	73.55	2246.52
32 Alcoholic Beverages(6)	4004.95	-2.5	4107.83	4182.37	3253.97	2.81	2.86	1.87	22.94	67.92	1589.42
33 Food Producers(25)	4222.54	+0.3	4211.70	4288.50	2951.37	2.56	2.18	2.01	24.41	52.70	2048.90
34 Household Goods & Texts(24)	3529.27	-0.2	3536.98	3533.75	2934.62	3.11	2.78	2.19	18.34	46.45	1487.44
36 Health Care(14)	2428.15	+0.6	2414.24	2420.00	2209.81	2.09	[illegible]	2.40	24.94	16.04	1547.15
37 Pharmaceuticals(20)	9241.82	-0.4	9280.14	9553.57	7253.16	1.99	1.76	1.70	36.93	95.15	3305.57
38 Tobacco(3)	4746.58	+1.2	4691.67	4785.04	4619.00	5.42	4.79	1.75	13.15	121.81	1326.11
40 SERVICES(277)	3533.28	—	[illegible]	3552.55	2691.43	[illegible]	1.98	1.96	26.38	27.27	1940.78
41 Distributors(28)	2958.34	-0.1	2960.60	2998.05	2727.20	3.23	2.67	2.00	19.37	34.43	1161.45
42 Leisure & Hotels(26)	4074.30	+0.3	4061.03	4080.46	3432.28	2.45	1.98	2.38	21.44	51.40	2307.42
43 Media(41)	4733.42	+0.1	4728.59	4756.73	4350.35	2.17	[illegible]	2.25	25.58	45.46	[illegible]
44 Retailers, Food(13)	2964.36	-1.2	3000.71	3022.40	2095.01	3.00	2.40	2.12	19.65	44.82	2024.77
45 Retailers, General(46)	2412.59	-0.4	2421.35	2429.90	2105.82	3.09	2.49	2.04	19.85	28.68	1468.90
46 Telecommunications(10)	3879.06	-0.4	3894.23	3899.35	2276.15	2.24	1.85	1.39	39.99	4.04	1886.09
47 Breweries, Pubs & Rest.(24)	4282.69	+0.7	4252.02	4283.02	3302.73	2.83	2.27	2.37	18.68	31.93	2181.41
48 Support Services(52)	5247.28	—	5245.95	5274.04	3083.22	1.14	0.96	2.58	42.56	25.95	[illegible]
49 Transport(25)	3878.44	+1.3	3830.29	3865.70	2831.43	2.71	2.21	1.47	31.33	25.93	1723.24
60 UTILITIES(22)	[illegible]	+0.4	[illegible]	3819.85	2824.36	4.22	3.38	1.79	16.55	18.08	1793.79
62 Electricity(8)	4260.02	+0.5	4237.54	4277.48	3137.80	4.64	3.71	1.98	13.59	18.26	2463.03
64 Gas Distribution(2)	2835.95	-0.9	2862.21	2927.33	1818.50	2.30	1.84	‡	‡	[illegible]	1639.10
68 Water(12)	3345.61	+1.5	3296.46	3317.31	2825.63	5.16	4.13	2.36	[illegible]	10.26	2082.04
69 NON-FINANCIALS(633)	2845.61	—	2846.56	2879.98	2235.22	2.78	2.36	1.93	23.33	29.51	2314.57
70 FINANCIALS(109)	5374.58	-0.1	5381.88	5505.93	4370.84	2.86	2.45	2.33	17.99	80.66	2489.96
71 Banks, Retail(12)	7689.07	-0.4	7717.17	7901.03	6640.00	3.07	2.46	2.32	17.50	126.41	2695.24
73 Insurance(17)	2535.28	-0.5	2549.62	2612.44	[illegible]	3.36	3.04	2.70	13.80	38.85	2104.40
74 Life Assurance(6)	5970.28	+0.4	5939.10	7075.31	4966.38	2.69	2.32	2.60	17.85	108.92	3114.49
77 Other Financial(26)	4956.01	+0.9	4910.36	5059.04	3269.84	2.23	[illegible]	2.24	26.02	[illegible]	3021.27
79 Property(46)	2277.06	-1.0	2300.33	2325.47	2059.18	2.88	2.38	1.48	29.34	[illegible]	1487.20
80 INVESTMENT TRUSTS(115)	4054.62	+0.1	4051.15	4118.22	3417.61	1.98	1.60	1.17	53.92	24.71	1474.20
89 FTSE All-Share(857)	2798.68	-0.1	2800.20	2841.04	2220.52	2.81	2.36	2.01	22.13	31.74	2535.32
105 FTSE All-Share ex IT(742)	2803.28	-0.1	2804.92	2845.66	2219.86	2.83	2.39	2.03	21.74	32.24	1306.56
Information Technology	1691.02	-0.5	1699.50	1706.02	—	0.51	0.41	[illegible]	88.81	2.53	1695.29
FTSE Fledgling	1501.28	—	1501.18	1511.03	1284.79	2.92	2.37	1.45	29.54	13.75	1991.18
FTSE Fledgling ex IT	1539.94	—	1539.72	1541.23	1298.05	3.22	2.61	1.52	25.63	15.40	1709.95
FTSE AIM	1136.6	+0.2	1136.7	1138.2	1074.4	1.10	0.87	6.34	80.00†	3.78	1051.86

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	-	5903.6	5895.8	5885.1	5862.0	5849.1	5846.1	5839.2	5870.1	5905.6	5816.5
FTSE 250	-	5890.5	5893.3	5890.7	5890.7	5891.9	5893.5	5894.7	5896.9	5898.5	5885.8
FTSE 350	-	2876.3	2873.8	2881.3	2880.1	2855.1	2854.1	2851.5	2863.8	2877.1	2843.0
FTSE SmallCap	2772.51	2773.54	2773.55	2772.43	2771.30	2770.51	2770.47	2770.54	2769.93	2774.18	2769.54
FTSE All-Share	-	2813.06	2810.52	2799.19	2798.00	2793.44	2792.48	2790.10	2801.37	2813.76	2782.25

Time of FTSE 100 Day's high: 9:00:45 Day's low: 15:20:15. FTSE 100 1998 High: 6105.8 (03/04/98) Low: 5080.7 (12/01/98)
Time of FTSE All-Share Day's high: 9:01:00 Day's low: 15:20:00. FTSE All-Share 1998 High: 2947.10 (06/04/98) Low: 2389.32 (12/01/98)

Further information is available on http://www.ftse.com

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‡ Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks yesterday

	Vol 000's	Closing price	Day's change
3i	291	[illegible]	+7
AMVESCAP	1,000	[illegible]	+8
ASDA Group	16,600	198	-2½
Abbey National	3,000	1089	+25
Alliance & Leicester	1,100	817	+10
Allied Domecq	1,600	[illegible]	-1½
Assoc. Brit. Foods	846	[illegible]	+12½
BAA	6,700	708	[illegible]
BAT Inds.	8,000	[illegible]	[illegible]
BOC	873	[illegible]	-10½
BG	5,600	322	-3½
BP	7,300	[illegible]	-7½
BSkyB	2,600	440	+3½
BT	6,600	[illegible]	-5
BTR	4,700	202½	+1
Bank of Scotland	3,700	[illegible]	+1
Barclays	4,900	1844	-4
Bass	1,300	[illegible]	-2
Billiton	3,300	183½	+1
Blue Circle	1,600	[illegible]	+3½
Boots	1,500	927	[illegible]
Brit. Aerospace	8,200	[illegible]	+17
British Airways	4,400	[illegible]	+12
British Energy	2,500	[illegible]	+12½
British Land	2,600	[illegible]	-22
British Steel	3,300	154	-2½
Cable & Wireless	8,200	675	-4
Cadbury Schweppes	1,300	916	-16
Carlton Comms.	1,300	510	
Centrica	25,300	[illegible]	-¼
Comm. Union	4,000	[illegible]	+11
Compass	1,900	[illegible]	+4
Diageo	3,400	712	[illegible]
EMI	4,300	[illegible]	-14
Energy Group	1,600	[illegible]	+6
Enterprise Oil	1,300	[illegible]	[illegible]
Foreign & Col. IT	[illegible]	207	+1
Gen. Accident	3,400	1361	+8
General Electric	3,800	[illegible]	[illegible]
Glaxo Wellcome	3,000	1871	-11
Granada	1,200	1140	+8
GUS	3,600	[illegible]	+13
GRE	853	[illegible]	+1
GKN	1,800	[illegible]	
HSBC (75p shs)	3,900	1649	+12
HSBC (HK$10)	2,100	1480	+11
Halifax	25,200	896	-27
Hays	800	1180	[illegible]
ICI	2,200	1177	+4
Kingfisher	1,700	1105	+22
Ladbroke	1,400	350	[illegible]
Land Securities	2,300	971	-21
Legal & General	2,200	[illegible]	+8
Lloyds TSB	6,600	870	[illegible]
LASMO	1,800	264½	-1
LucasVarity	5,900	270	+1
Marks & Spencer	4,800	559	-11
Mirror Group	830	[illegible]	[illegible]
NatWest Bank	3,200	1107	+4
National Grid	3,500	371½	+[illegible]
National Power	3,100	573	+8
Next	3,800	542	[illegible]
Northern Rock	407	605	+8
Norwich Union	4,200	441½	+1½
Nycomed Amersham	110	1823	-27
Nycomed Amer B/W	16	1821	[illegible]
Orange	1,000	448	+4
Pearson	1,500	1100	+8½
P & O	4,100	852	
PowerGen	1,000	762	+4
Provident Financial	767	965	+38
Prudential	2,800	816	-3
RMC	251	1153	-7
Railtrack	1,200	1197	+8
Rank Group	1,400	360	+7
Reckitt & Colman	374	1220	+4
Reed Intl.	3,500	587½	-5½
Rentokil Initial	31,800	415½	-7½
Reuters	5,300	705	+9
Rio Tinto	4,400	755	-32
Rolls Royce	7,700	258½	+4½
Royal & Sun Alliance	2,400	680½	+1½
Royal Bank Scotland	1,400	1025	-2
Safeway	5,100	377½	-3½
Sainsbury	4,300	495¾	+3¼
Schroders	310	1750	+40
Schroders N/V	41	1522	+68
Scottish & Newcastle	2,500	884	+17½
Scottish Power	1,100	546	-4
Severn Trent	380	977½	+14½
Shell Transport	10,500	450	-4½
Siebe	3,500	1308	+15
SmithKline Beecham	8,600	675	+3
Smiths Inds.	862	897	+32
Southern Electric	830	538	-5
Standard Chartered	4,200	748	-23
Sun Life & Provincial	502	585	+17½
TI Group	1,200	500	-12
Tesco	3,800	539	-21
Thames Water	498	990	+30
Tomkins	2,000	358	+6
Unilever	9,900	670	+5
Utd. News & Media	2,000	852	-13
United Utilities	1,700	888	+9½
Vodafone	5,600	676	-2
Whitbread	2,100	1025	+18
Williams	3,000	440	+7
Wolseley	708	427	+3
Woolwich	2,600	362½	-11
Zeneca	1,400	2455	-24

Based on trading volume for the FTSE 100 constituent companies and reserves yesterday until 4.30pm. † Indicates a FTSE 100 index reserve. All tables are rounded. Source: Extel, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 28 / Sch)

BELGIUM/LUXEMBOURG (May 28 / Frs.)

CZECH REP (May 28 / Koruna)

DENMARK (May 28 / Kr)

FINLAND (May 28 / Mkk)

FRANCE (May 28 / Frs.)

GERMANY (May 28 / Dm.)

GREECE (May 28 / Drachma)

ITALY (May 28 / Lira)

NETHERLANDS (May 28 / Fl.)

NORWAY (May 28 / Krone)

POLAND (May 28 / Zloty)

PORTUGAL (May 28 / Escudo)

SPAIN (May 28 / Pta.)

SWEDEN (May 28 / Krona)

SWITZERLAND (May 28 / Frs.)

TURKEY (May 28 / Tk Lira)

Rockwell

Rockwell Collins liquid crystal displays provide advanced technology for today's commercial and military aircraft.

PACIFIC

JAPAN (May 28 / Yen)

HONG KONG (May 28 / H.K.$)

INDONESIA (May 28 / Rupiah)

MALAYSIA (May 28 / MYR)

NEW ZEALAND (May 28 / NZ $)

SINGAPORE (May 28 / S$)

AUSTRALIA (May 28 / Aust$)

SOUTH KOREA (May 28 / Won)

TAIWAN (May 28 / TW $)

THAILAND (May 28 / Baht)

AMERICAS

CANADA

TORONTO (May 28 / Can $) 2:30 pm

MONTREAL (May 28 / Can $) 2:30 pm

MEXICO (May 28 / Peso) 12:30 pm

AFRICA

SOUTH AFRICA (May 28 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

WEDNESDAY MAY 27 1998

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield
Australia (72)	194.77	-1.8	177.04	169.41	180.40	208.45	-1.8	3.80
Austria (23)	245.59	-3.2	223.23	213.62	227.47	227.34	-2.7	1.45
Belgium (26)	349.07	-2.5	317.29	303.63	323.32	316.36	-1.8	2.30
Brazil (28)	212.09	2.6	192.79	184.48	196.45	449.23	2.4	2.28
Canada (120)	239.70	-1.1	217.86	208.49	222.01	252.80	-1.8	1.59
Denmark (34)	497.89	-2.7	452.57	433.07	461.16	459.40	-2.2	1.32
Finland (28)	431.24	-2.9	391.99	375.10	399.43	489.98	-2.4	1.67
France (78)	320.33	-2.5	291.17	278.63	296.70	300.13	-2.0	1.98
Germany (58)	293.56	-3.1	266.93	255.43	272.00	272.00	-2.8	1.21
Greece (37)	285.63	-5.0	259.63	248.45	264.56	629.27	-3.9	1.47
Hong Kong, China (56)	270.83	-5.1	246.17	235.57	250.85	269.42	-5.1	5.88
Indonesia (27)	36.06	-5.5	32.78	31.37	33.40	232.29	-4.9	3.04
Ireland (16)	502.61	-3.6	456.86	437.18	465.53	500.77	-3.1	1.96
Italy (54)	167.70	-3.7	152.43	145.87	155.33	219.85	-3.2	1.28
Japan (480)	92.69	-0.5	84.26	80.63	85.86	80.63	-0.8	0.96
Malaysia (107)	156.14	-1.7	141.93	135.81	144.62	231.37	-1.4	2.78
Mexico (29)	1428.81	-1.6	1298.74	1242.80	1323.40	13872.17	0.6	1.76
Netherlands (19)	520.78	-1.7	473.37	452.98	482.36	477.19	-1.2	1.94
New Zealand (14)	68.96	-0.9	62.68	59.98	63.87	68.66	-0.8	4.76
Norway (38)	311.89	-3.7	283.50	271.29	288.88	320.37	-2.5	1.98
Philippines (22)	90.75	-2.7	82.49	78.94	84.06	175.70	-2.1	1.18
Portugal (18)	283.30	-2.8	257.51	246.42	262.40	353.68	-2.4	1.06
Singapore (42)	175.88	-3.4	159.87	152.98	162.99	135.15	-2.8	2.25
South Africa (42)	279.60	-6.5	254.14	243.20	258.97	315.08	-5.7	11.23
Spain (31)	380.88	-4.0	346.21	331.29	352.78	436.12	-3.8	1.75
Sweden (48)	593.57	-2.9	539.54	516.30	549.78	888.01	-2.0	1.70
Switzerland (30)	409.72	-1.3	372.43	356.38	379.50	373.86	-1.3	1.08
Thailand (38)	20.16	-7.2	18.32	17.53	18.67	30.98	-6.5	4.84
United Kingdom (207)	378.21	-1.9	343.79	328.98	350.31	343.79	-1.8	2.87
USA (634)	445.40	-0.2	404.86	387.42	412.55	445.40	-0.2	1.44
Americas (809)	402.62	-0.2	365.97	350.20	372.92	340.46	-0.2	1.46
Europe (747)	358.26	-2.4	325.65	311.62	331.83	339.06	-2.0	1.98
Eurobloc (362)	103.29	-2.9	105.51	108.63	103.43	103.43	-2.4	1.64
Nordic (148)	515.64	-2.8	468.70	448.51	477.60	522.93	-2.1	1.66
Pacific Basin (868)	100.19	-1.1	91.07	87.15	92.80	87.50	-1.3	1.71
Euro-Pacific (1615)	207.76	-2.0	188.85	180.72	192.44	182.31	-1.8	1.91
North America (754)	432.32	-0.2	392.96	376.04	400.42	432.51	-0.2	1.45
Europe Ex. UK (540)	336.09	-2.6	305.50	292.34	311.30	326.28	-2.2	1.58
Europe Ex. Eurobloc (385)	98.14	-1.9	100.25	101.50	98.27	98.48	-1.6	2.33
Europe Ex. UK Ex. Eurobloc (189)	102.09	-2.0	104.28	105.58	102.22	101.85	-1.7	1.31
Pacific Ex. Japan (388)	172.00	-3.2	156.35	149.61	159.32	176.94	-3.1	4.42
World Ex. Eurobloc (2114)	96.75	-0.8	87.94	84.16	89.61	97.58	-0.7	1.73
World Ex. US (1832)	210.72	-2.0	191.54	183.29	195.18	198.99	-1.8	2.01
World Ex. UK (2259)	277.83	-1.0	252.36	241.49	257.15	254.85	-0.9	1.58
World Ex. Japan (1986)	382.31	-1.2	347.51	332.54	354.11	378.40	-1.8	1.80
The World Index (2466)	286.16	-1.1	260.11	248.91	265.05	262.88	-1.0	1.72

Emerging markets: IFC Investable indices

AFRICA

NEW YORK STOCK EXCHANGE PRICES

3:30 pm May 28

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
‡ Dealings suspended.

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Closing values at 16.00 CET. E-Mail:info@eurobench.com

European Sector Indices		CURRENT 28/5/98	PREVIOUS 27/5/98	NET CHANGE	% CHANGE
Financials	USD	2124.43	2140.48	-16.05	-0.75
(IN-FIN)	DEM	2639.66	2656.59	-16.93	-0.64
Non-durable goods	USD	1012.77	1022.99	-10.22	-0.65
(IN-GUODS)	DEM	2004.17	2014.50	-10.33	-0.52
Oils	USD	1568.76	1569.46	-0.70	-0.05
(IN-OIL)	DEM	1949.43	1948.11	+1.32	+0.07
Pharma-chemicals	USD	1590.31	1570.58	+19.73	+1.25
(IN-PHARMA)	DEM	1980.05	1954.33	+26.72	+1.37

مكتبة الأهرام

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	May 27	May 26	May 25	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	8838.57	8963.73	(c)	9211.84 (13/5)	7580.42 (9/1)	9211.84 (13/5/98)	41.22 (8/7/32)
Home Bonds	104.91	104.83	(c)	105.48 (15/1)	104.42 (11/5)	105.48 (15/1/98)	54.99 (1/10/81)
Transport	3332.50	3365.72	(c)	3686.02 (16/4)	3104.35 (9/1)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	277.42	278.40	(c)	291.18 (2/4)	262.66 (9/1)	291.18 (2/4/98)	16.53 (8/7/32)

DJ Ind. Day's high 8915.04 (9201.83) Low 8760.95 (8949.78) (Theoretical♦)
Day's high 8954.08 (9108.74) Low 8788.10 (8952.73) (Actual♦)

Standard and Poors	May 27	May 26	May 25	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1092.23	1094.02	(c)	1130.54 (22/4)	927.69 (9/1)	1130.54 (22/4/98)	4.40 (1/6/32)
Industrials¶	1276.70	1275.17	(c)	1311.46 (22/4)	1077.40 (9/1)	1311.46 (22/4/98)	3.52 (30/6/32)
Financial¶	131.21	133.08	(c)	140.63 (14/4)	110.55 (9/1)	140.63 (14/4/98)	7.13 (4/9/74)
Others							
NYSE Comp.	563.93	586.26	(c)	585.62 (22/4)	487.47 (9/1)	[illegible] (22/4/98)	4.64 (25/4/42)
Amex Comp	708.84	720.33	(c)	753.67 (22/4)	648.41 (12/1)	753.67 (22/4/98)	524.20 (18/7/96)
NASDAQ Cmp	1781.10	1778.09	(c)	1917.61 (22/4)	1503.22 (9/1)	1917.61 (22/4/98)	54.87 (3/10/74)
Russell 2000	450.26	455.08	(c)	491.41 (21/4)	410.89 (12/1)	491.41 (21/4/98)	123.38 (7/12/93)

RATIOS

	May 22	May 15	May 8	Year ago
Dow Jones Ind. Div. Yield	1.56	1.56	1.58	1.69

	May 27	May 20	May 13	Year ago
S & P Ind. Div. yield	1.33	1.30	1.30	1.67
S & P Ind. P/E ratio	30.60	30.98	31.08	23.39

US DATA

MARKET ACTIVITY

Volume (million)	May 27	May 26	May 22
NYSE	703.580	541.410	444.730
Amex	33.398	30.783	20.805
NASDAQ	800.016	684.992	544.289

NYSE TRADING ACTIVITY

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Compaq	10,480,400	28¼	+¾
Chrysler	7,245,300	54¾	+⅛
Telebras	6,179,600	107¼	+4¼
PhMorr	5,394,200	35⅝	−⅛
Pfizer	5,184,600	108	+4⅞
LucentTch	4,872,700	72	+1⅝
Boeing	4,871,900	46⅛	−⅞
AmOnLine	4,613,700	82½	−¾
Cendnt	4,687,500	21⅛	−⅛
IBM	4,512,700	119⅜	−⅞

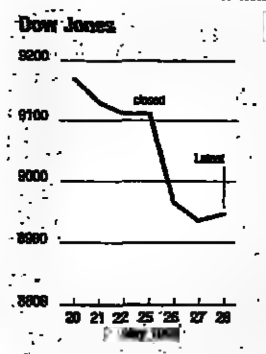
NASDAQ TRADING ACTIVITY

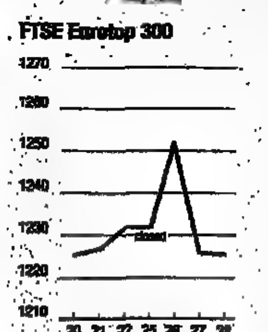
ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
DellCmp	25,737,800	88¾	+2⅛
Intel	18,348,000	74⅛	[illegible]
Micrsft	14,423,200	86	+2¾
WrldCm	10,272,000	44⅞	−1⅛
CiscoSys	9,534,500	77⅜	+1⅜
Netscp	8,048,900	25⅞	+1⅜
AscendCom	7,849,700	43½	−⅞
AppMat	7,081,000	32⅛	−⅛
3Com	6,808,000	27⅛	+⅛
Yahoo	6,498,700	116¾	+6¾

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
DecOne	20	+4¼	+14.3
Lycos	57½	+7	+13.9
Intervoic	14⅝	+1⅞	+13.9
CBT ADR	49⅝	+5¾	+13.3
Downs			
Vincam	19	−2⅞	−13.1
ColnEuro	20	−2¾	−12.1
Vicor	14⅛	−1⅞	−11.5
UtdBnsh	23¾	−3⅛	−11.8





JAPAN

	May 28	May 27	May 26	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	15795.55	15664.29	15844.82	17264.34	14664.44	38915.9	85.25

Day's high: 15891.71 Day's low: 15639.01

TOKYO TRADING ACTIVITY Volume : 313,000,000

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Ishikawa Sels	10,521,000	287	+37
Np Steel Cp	7,189,000	237	+2
LTCB	5,830,000	201	−10
Bk Tk-Mitsbsl	5,595,000	1415	−40
Sakura Bank	5,498,000	410	−16
Sumo Mil Ind	4,754,000	220	+2
Mitsbsl Hvy	4,494,000	482	−3
Nissan Mtr	4,141,000	429	+6
Daiwa Bank	3,880,000	281	−9
Kobe Steel	3,606,000	107	+2

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Fst Baking	266	+40	+18.5
Ishikawa Sels	287	+37	+14.2
Godo Steel	320	+34	+11.9
Tetra	260	+25	+10.6
Downs			
Np Elec Ind	180	−30	−8.5
Toko	854	−72	−7.8
Tayant Pap	360	−30	−7.7
Tky Tekko	110	−9	−7.6

FRANCE

	May 28	May 27	May 26	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	4014.82	4017.37	4115.88	4115.88	2882.54	4115.88	934.81

Day's high: 4078.47 Day's low: 4009.01

PARIS TRADING ACTIVITY Volume : [illegible]

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Euro Disney	2,010,786	10.65	+0.45
France Tel	1,281,427	332.5	−4
Rho-Pluc A	938,500	323.1	−3.7
Bq Natl Paris	808,482	499	−5
CSF (Thmsn)	739,794	234	+8.3
Usinor	711,088	102.4	+1.4
Pechiney A	574,716	298	+4
Axa-UAP	563,420	684	−1
Soc Generale	560,517	1172	−35
Alcatel Alst	540,994	1279	+13

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
[illegible]	240	+38.9	+19.9
Locindus	130	+21	+19.3
High Co	349	+52	+17.5
Groupe Bull	1335	+180	+15.6
Cyclos	21	+2.7	+14.8
AB Capital	85	+10	+13.3
Downs			
Omnicom	650	−115	−15
Maguary Paris	2011	−256	−11.3

GERMANY

	May 28	May 27	May 26	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	5481.26	5490.64	5644.29	5644.29	4087.28	5644.29	931.18

Day's high: 5557.37. Day's low: 5480.22.

FRANKFURT TRADING ACTIVITY Volume : 13,273,367

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Daimler-Benz	1,436,141	180	−17
Bayer	856,307	81.25	+2.65
BASF	598,440	78.7	−0.75
Commerzbk	557,043	70	−0.8
Deutsche Tel	533,139	46.7	−0.25
Hoechst	504,478	81.65	+2.75
Deutsche Bk	410,676	153.1	−2.9
Dresdner Bk	400,853	98.8	−1.1
Siemens	394,452	116.2	−2.05
BMW	343,017	93.5	+0.4

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
WMF Wurtt Pf	368	+28	+8.2
Fielmann Pf	56.5	+3.5	+6.6
Glunz	98	+6	+6.5
Salamander	318	+18	+6
Downs			
Leica Camera	77	−3.7	−13.1
Hucke	42.5	−2.5	−5.6
Hamburger A	2480	−120	−4.6
RWE NV Pf	71.7	−3.4	−4.5

UK

	May 28	May 27	May 26	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5862.3	5870.2	5970.7	6105.80	5068.80	6105.8	986.9

Day's high: 5905.6. Day's low: 5816.5

LONDON TRADING ACTIVITY Volume : [illegible]

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Rentokil	31,797,190	415½	[illegible]
Thomson Trvl	28,828,220	187	−3½
Centrica	25,329,370	100¾	−¼
Halifax	25,195,970	898	−27
Dana Pet	18,558,080	20	−½
Hillsdown	18,522,500	206½	+6
Tanzania	17,692,180	2	
Asda	10,552,520	183	−2¾
Shell	10,325,880	450	+4½
Unilever	8,623,633	670	−5

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Lon Asia Pac	106	+20	+23.5
Inter Tech	168	+29½	+21.6
On-Line	25	+3½	+16.3
Davenport K	712½	+87½	+14
Downs			
Desire Pet	280	−117½	−31.1
Greenwich Rs	28½	−7¼	−20.3
Westmount	182½	−45	−19.8
[illegible]	45½	−7½	−13.4

INDEX FUTURES

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Jun	1097.00	1095.40	−1.10	1099.40	1092.40	184,252	337,881
Sep	−	1108.40	−	−	1089.00	13,920	44,703
Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	15660.0	15760.0	+160.0	15900.0	15650.0	25,550	201,527
Sep	15700.0	15780.0	+180.0	[illegible]	15680.0	1,318	16,087

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index)							
May	4021.5	4020.0	+12.0	4029.0	4017.5	N/A	20,547
Jun	4003.5	4000.0	+12.5	4009.0	3997.0	N/A	39,111
DAX							
Jun	5540.0	5527.5	+79.0	5588.0	5475.0	28,536	126,383
Sep	5590.0	5574.5	+67.0	5631.0	5528.0	875	18,772

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
[illegible]							
Jun	780.00	754.00	−5.00	780.00	760.00	22,095	129,395
Jul	778.00	767.25	−7.25	778.00	767.25	110	88
SOFFEX							
Jun	7680.0	7580.0	−	7695.0	7563.0	[illegible]	20,874
Jul	7699.0	7582.1	−20.7	7698.0	7588.0	28	2,728

Open interest figures for previous day

WORLD MARKETS AT A GLANCE

Country	Index	May 28	May 27	May 26	1998 High	1998 Low	Yield	P/E
Argentina	General	[illegible].10	20715.09	20411.60	23495.47 23/3	18237.40 2/1	3.21	17.5
Australia	All Ordinaries	2714.0	2697.0	2734.7	2861.40 16/4	2542.40 12/1	3.38	18.9
	All Mining	614.3	618.7	638.1	713.10 23/4	552.20 13/1		

Banks and News Corp tracked Asian market rebound, but resources underperformed and golds fell 1.85 per cent.

Country	Index	May 28	May 27	May 26	1998 High	1998 Low	Yield	P/E
Austria	Credit Aktien	(u)	574.31	584.34	684.34 26/5	437.44 12/1	1.45	18.9
	ATX Index	1588.62	1596.74	1628.58	1698.58 26/5	1248.89 13/1		

Country	Index	May 28	May 27	May 26	1998 High	1998 Low
Hungary	Bux	7049.35	7154.82	7407.50	9918.38 22/4	7049.35 28/5
India	BSE Sens.	3721.93	3777.19	3875.08	4688.98 21/4	3308.55 28/1
	Crisil 500	730.22	749.86	749.98	815.62 21/4	694.36 28/1
Indonesia	Jakarta Comp.	414.22	418.97	434.06	554.10 2/2	342.97 9/1

Comments from Moody's Investors Service that local banking system was largely insolvent maintained downward pressure.

[illegible]

THE NASDAQ STOCK MARKET

[illegible]

THE NASDAQ STOCK MARKET

[illegible]

AMEX PRICES

[illegible]

EASDAQ

[illegible]

STOCK MARKETS

Stocks stage fightback but fail to shine

WORLD OVERVIEW

The mood on world stock markets recovered after Wednesday's sell-off, but bourses were stable rather than ebullient, *writes Philip Coggan.*

The late recovery on Wednesday of Wall Street, which turned a 150-point drop in the Dow Jones Industrial Average into a mere 27-point decline, dispelled any air of crisis.

Nevertheless, Asian markets were still mixed. While Seoul revived as the Korean strike petered out, there were further share price falls in Hong Kong, Singapore and Malaysia.

And a series of statistics confirmed the weakness of the Japanese economy. Industrial production fell 1.1 per cent in April, while retail sales dropped 2.1 per cent; stocks were at their highest levels since 1973. A survey of consumers found that 50 per cent had cut spending this year due to economic worries.

The yen weakened once again and the US dollar got a further lift as a "safe haven" in the wake of Russia's financial problems and Pakistan's nuclear tests.

A stronger US dollar is normally helpful for European markets, but the bourses were spluttering, rather than motoring. The Dax in Frankfurt gained 40 points, as the Bundesbank left interest rates unchanged, but there were small falls in Amsterdam, Paris and Zurich. Russia rebounded 6 per cent after Wednesday's tripling of interest rates, an attempt to defend the rouble.

Wall Street was another mixed market, although the Dow held up fairly well in the face of an upward revision to first-quarter gross domestic product figures. The annualised growth rate was 4.8 per cent, rather than the 4.2 per cent first estimated, but investors still seemed relaxed about the inflationary consequences.

However, chartist Nick Glydon of Flemings warned that, according to Dow theory, the industrial average was close to giving the second half of the sell signal, triggered by the recent decline in the transportation average. A signal would be triggered if the industrial average fell below 8,900.

Nigel Richardson, investment strategist at Axa Investment Managers, said: "In the short term, we have become a bit cautious. The US market is overbought and we expect Wall Street to underperform other equity markets.

"In Asia, things will get worse before they get better. But the Europe story is still going to be fairly upbeat, as short-term rates in the peripheral countries converge with those in the core and robust productivity helps profits growth."

Dow rallies as buyers drift back

AMERICAS

Wall Street was calmer yesterday as the buyers, emboldened by the previous day's late recovery, came off the sidelines, *writes John Labate in New York.*

On Wednesday the Dow Jones Industrial Average had plunged more than 170 points before rebounding convincingly to close a relatively modest 27 points lower.

"We have a nice bounce back, but we don't think the correction is over," said Hildegard Zagorski, stock market analyst at Prudential Securities in New York.

According to Mr Zagorski the chief concerns to the market at current levels include what second-quarter earnings will look like, as well as uncertainty in overseas markets.

By early afternoon, the Dow was 14.70 higher to 8,951.27 in spite of an initial round of selling early in the session. The market's other major indexes also advanced, with the Standard & Poor's 500 up 2.17 to 1,094.40.

The technology sector saw some of the day's best rises, with the Nasdaq composite gaining 9.75 to 1,790.85. Small-cap shares also improved, sending the Russell 2000 index up 3.68 to 453.94.

US Treasuries were mixed after a sharp upward revision to first-quarter gross domestic product. By early afternoon, the 30-year bond was up 1/8 to 103 19/32, yielding 5.841 per cent.

Fresh mergers helped underpin sentiment. In the health sector, United HealthCare's $5.5bn acquisition of Humana sent Humana's shares up by more than 13 per cent to $29 1/16. United HealthCare fell $1 7/8 to $62 1/4.

The deal helped to spark other healthcare providers, including Oxford Health Plans, which rose $1 or more than 6 per cent to $17 1/16.

Micron Technology, the producer of semicondcutor parts, fell $ 1/2 to $24 1/4 after Goldman Sachs lowered its earnings estimates for 1998 and 1999.

Banking stocks were mainly higher. Nationsbank climbed $ 3/4 to $75 15/16. BankBoston fell $ 13/16 to $105 7/8 on talk that it was to acquire Robertson Stephens, the securities division of BankAmerica. BankAmerica added $ 3/4 at $83 7/8.

TORONTO recovered modestly in early trading, with a rebound for gold shares after Wednesday's 2.5 per cent tumble providing most of the underpinning.

Barrick Gold rallied 60 cents to C$28.60 and Placer Dome regained 30 cents to C$18.40 to help lift the 300 composite index 8.43 to 7,551.30 at noon.

Banks were mixed. Royal Bank of Canada hardened 5 cents to C$86.55 and Bank of Nova Scotia 20 cents to C$38.45. Toronto-Dominion Bank lost 15 cents at C$62.40 ahead of the publication of first-quarter results.

Among industrials, Alcan Aluminium retreated 45 cents to C$42.35 and Hudson's Bay came off 20 cents to C$32.20. Seagram added 50 cents to C$64.

Northern Telecom rose 80 cents to C$93.80.

Mexico rides peso fall

MEXICO CITY firmed as Russia and South Korea rebounded, and the IPC index ended up 35.15 or 0.8 per cent at 4,515.54.

The shares rallied in spite of the peso's fall to record lows for two consecutive days. Finance minister Jose Angel Gurria tried to ease investor worries saying that the currency would recover once stability returned to international markets.

SAO PAULO gained almost 2 per cent with the Bovespa index adding 175 to 9,923. Investors, however, were cautious ahead of the government's release today of the details of the tender details for Telebrás.

The government denied local reports warning the government may not meet its Friday target for publication of the terms and conditions for the sale and would make an announcement next week.

BUENOS AIRES moved ahead with the Merval index rising 9.67 or 1.6 per cent to 612.74. The recovery in overseas emerging markets prompted further buying following a rise on Wednesday, although the trades were seen as short-term speculative investments.

Dax rise defies Europe trend

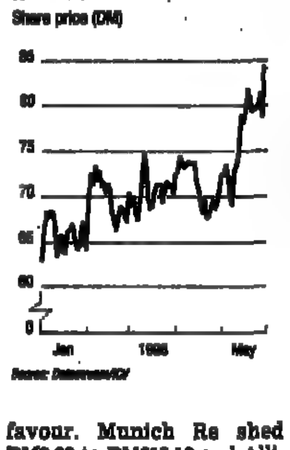
EUROPE

German equities bucked the broad trend across Europe with FRANKFURT rallying modestly to end electronic trading with the Xetra Dax index 40.48 higher at 5,507.36.

Chemicals leaders pushed ahead strongly following a keynote speech by Juergen Dormann, chairman of Hoechst, who hinted at sector rationalisation. Hoechst rose DM4.75 to DM43.80 and BASF added DM1.60 to DM80.40. Bayer ended DM3.30 higher at DM82.30.

BMW stood out in an otherwise dull motor sector, adding DM70 to DM1,880. Volkswagen shed DM8.50 to DM1,447.50 and Daimler-Benz came off DM17.80 to DM177.40.

Financials stayed out of favour. Munich Re shed DM2.90 to DM813.10 and Allianz gave up DM6.50 to DM567 after analysts got to work on the group's DM100bn of hidden reserves, disclosed for the first time on Wednesday.



Lehman Brothers estimates net asset value at Allianz at DM260 and embedded value at DM305. The shares appear expensive, but the brokers say discount further corporate restructuring.

Among industrials, Karstadt and Mannesmann were strong performers. The retailer added DM32.90 at DM944.95 and Mannesmann DM40 at DM1,641.

PARIS finished 2.45 lower at 4,014.92 on the CAC 40 index in below average turnover of FFr8.6bn.

Defence stocks buzzed as government calls for Aerospatiale to make strategic accords and float itself on the stock market sparked talk of rapid consolidation.

Thomson-CSF jumped FFr8.30 to FFr234 and Dassault rose FFr43 to FFr1,960. Lagardère surged FFr10.60 or 4.4 per cent to FFr252.

Motors were mixed. Renault slipped FFr1.50 to FFr306.70 in spite of a broker upgrade to "overweight", and Peugeot lost FFr17 to FFr1,153. Valeo fell FFr11 to FFr562 after reporting disappointing sales for April, but tyre giant Michelin gained FFr11.50 to FFr374.60.

Promodes, which disclosed an 8 per cent rise for first-half sales and predicted that non-French turnover would rise by a quarter to 50 per cent in two years, rose FFr58 to FFr2,970. News of the acquisition of France's second biggest perfume business sent LVMH up FFr18 to FFr1,249.

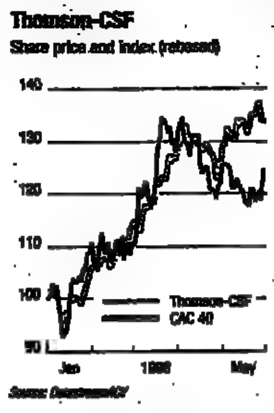
Cap Gemini came with a late run which brokers described as a technical bounce, and gained FFr47 or 5.7 per cent at FFr875.

ZURICH traded narrowly with the SMI index ending the session off 28.5 at 7,605. Drugs and banks, the main market heavyweight sectors, were dull. Novartis lost SFr20 to SFr2,498. UBS shed SFr23 to SFr2,494. Watch group SMH reversed early gains following a forecast of higher profits from the company, to close off SFr7 to SFr1,233.

BRUSSELS moved ahead led by banking shares, and the Bel-20 index rose 27.64 to 3,231.37.

Kredietbank shot up BFr1,300 or 5.4 per cent to BFr25,300 on reports that it may merge with Rabobank, the Dutch co-operative bank, although Kredietbank denied the reports after the market closed. Generale Bank, still a bid target for Fortis and ABN Amro, rose BFr150 to BFr27,225.

COPENHAGEN rallied as Danes went to the polls to vote in a referendum over EU expansion. An expected "Yes" decision according to opinion polls supported sentiment, and the KFX index rose 4.12 or 1.8 per cent to 235.54 in spite of dull trading in other parts of Europe.



Overseas investors supported shares amid thin volumes as domestic investors remained sidelined. Government bonds also gained ground and the currency remained steady, helping to support investor confidence.

Banks, which had lost ground on Wednesday, gained with Unidanmark up DKr27 to DKr565. Novo Nordisk, the bio-technology group, advanced DKr7 to DKr1,070.

GN Store Nord rose DKr6 to DKr180, while Superfos, the construction company, gained DKr10 to DKr283.

AMSTERDAM fell marginally as some institutions built up short positions ahead of a spate of first-quarter profit announcements. Uncertainty over Asian markets also weighed on share prices and the AEX index fell 9.55 to 1,188.66 on the doubts over eastern performance.

ING, the banking and insurance group, fell 90 cents to Fl 138 although it had released higher-than-expected first-quarter results. Fortis, the Belgo-Dutch financial services group which went ex-dividend yesterday, fell Fl 1.70 to Fl 121.30.

MILAN was depressed by political tensions over constitutional reforms and the Mibtel index fell 134 to 23,996.

Snia BPD, Fiat's chemical arm, closed down L72 to L2,431 as investors were disappointed by Fiat's decision to offer Snia shares to institutional and retail investors.

MOSCOW rebounded 6 per cent as President Yeltsin's resolve to support Russia's financial markets improved confidence.

The RTS index, which fell 10.6 per cent after interest rates were raised to 150 per cent on Wednesday, rose 11.51 to 198.74. The dramatic rise for interest rates helped stabilise the rouble, which strengthened yesterday.

Michel Camdessus, head of the IMF, praised Russia's central bank for its monetary policy and its handling of pressures on the financial markets.

Written and edited by Jeffrey Brown, Paul Gregan, Emiko Terazono and Nicholas Hall

Jo'burg ends four-day drop

SOUTH AFRICA

Shares in Johannesburg reversed a four-day losing streak to end with the all share index up 13.4 at 7,465.6.

Brokers said the 7 per cent market fall since Friday had tempted some bargain-hunting, but sentiment remained very fragile with the rand testing fresh lows.

Financials fell 22.3 to 12,690.5, and industrials 29.7 to 9,118.20. Golds gained 14.2 or 1.5 per cent to 934.7 after a slightly better day for the bullion price.

Samsung spark boosts Seoul

ASIA PACIFIC

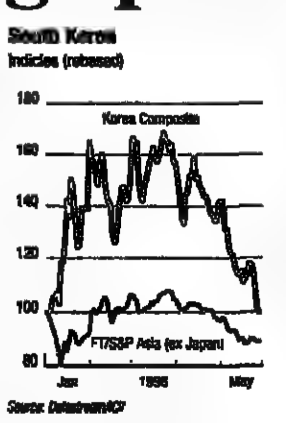
A wave of foreign buying pushed SEOUL higher in the face of further steep falls for most Asian stock markets. The composite index was lifted 9.61 or 3.1 per cent to 323.00.

Brokers said foreign orders accounted for a net Won2bn shares, against net selling of Won37bn on Wednesday. Much of the day's action centred on Samsung Electronics, which went limit up.

The stock jumped Won5,600 to Won52,500 as 835,000 shares changed hands. Hanwha Energy also went limit up, rising Won360 to Won3,400 on news of plans to sell its power generator division for $874m.

TOKYO rebounded as the dollar slipped back against the yen, and traders largely ignored a batch of bad economic data, *writes Bethan Hutton in Tokyo.*

The Nikkei 225 Average gained 132.26 to 15,796.55, after trading between 15,639.01 and 15,891.71. The Topix index of all first-section shares showed a more modest gain, adding 1.39 at 1,223.73.



Ishikawa Seisakusho, a textile machinery maker, which has operations in Indonesia and Korea, was the day's most heavily traded share, gaining Y37 to Y297 after heavy selling in high turnover over the past few days.

Other high-volume issues included several banks and steelmakers. The banks were still suffering from Moody's downgrades earlier this week. Long Term Credit Bank fell Y10 to Y201, Bank of Tokyo-Mitsubishi Y40 to Y1,415, Sakura Bank Y16 to Y410 and Daiwa Bank Y9 to Y281.

Toyota firmed on reports that it was planning to strengthen its hold on Daihatsu Motor and Hino Motors, in which it has large but not majority stakes. Toyota was up Y10 to Y3,490, Daihatsu Y35 to Y505, and Hino Motors increased Y17 to Y408.

Elsewhere in the car industry, Mitsubishi Motors fell Y13 to Y370 after announcing a heavy losses.

Trading companies continued to fall on concerns over their exposure to Indonesia. Mitsui fell Y29 to Y719, Mitsubishi Y15 to Y860, Marubeni Y19 to Y280 and Itochu Y9 to Y315. Sumitomo was unchanged at Y767.

Volume declined slightly from 322m on Wednesday, to about 313m shares. Gainers outnumbered losers 665 to 407, with 165 unchanged.

In Osaka, the OSE index climbed 122.07 to 16,570.23 in turnover of 8m shares.

HONG KONG continued to suffer from economic uncertainty with interbank rates rising sharply ahead of the government's first-quarter economic report, due to be published today.

The Hang Seng index fell 105.49 to 8,877.94 for a five-day decline of more than 8 per cent.

Property shares were agin heavily sold. The sector index shed 3 per cent, with Cheung Kong sliding HK$1.10 to HK$41.40 and Sun Hung Kai off HK1.40 at HK$36.10.

MANILA lost ground on worries over first-quarter economic growth and the composite index fell 45.91 or 2.2 per cent to 2,014.23.

Investors sold shares ahead of today's release of first-quarter GDP figures, which are expected to show a sharp slowdown.

Leading blue chips lost ground. Telecoms group PLDT fell 30 pesos to 995 pesos, Ayala, the holding company, lost 0.75 pesos to 12.50 pesos and San Miguel B-shares fell 0.50 pesos to 58.50 pesos.

SINGAPORE tumbled on institutional selling and the Straits Times Industrial index lost 33.91 or 2.6 per cent to 1,261.62.

Blue chips were sold, with Singapore Press down 70 cents to S$13.60, and Singapore Airlines dipping 10 cents to S$7.20. Sing Tel, the most actively traded stock, rose 6 cents to S$2.43.

EMERGING MARKET FOCUS

El Niño storm havoc retreats

Floods in Africa, drought in Asia and forest fires in south America – El Niño has wreaked havoc with the world's weather and hit many emerging markets, namely those reliant on agriculture.

The present El Niño weather phenomenon – so-named by Peruvian fishermen centuries ago – dates back to May last year when temperatures in the eastern Pacific rose sharply.

However, the effects are dissipating and some markets that have been hit by El Niño could benefit as conditions return to normal.

In Peru, El Niño has affected virtually every aspect of the country's economy, says Raquel Lizárraga, analyst at Flemings in Lima. The country is reliant on its anchovy catch, which is used by its fishmeal industry. However, the warm waters drove the fish south, towards Chile.

Manufacturing declined as fishing output tumbled in this year's first quarter, depressing growth in retailing and other services such as telecoms and banking.

In late February, the Lima General index hit 1,552.60, 13 per cent down from the start of the year and 32 per cent below last year's July peak.

With the last El Niño in 1983 leading to a 13 per cent contraction of gross domestic product, the mere mention of the phenomenon depressed investor confidence, says Caspar Romer, fund manager at Foreign & Colonial.

However, shares have recovered from Feburary's lows on hopes of the "Niño reconstruction" effort, says Ms Lizárraga. Barring a major collapse in Asia, the market could post a double-digit rise from here, say analysts.

In Kenya, the Nairobi market, which fell 4.4 per cent in the first quarter, may also be a normalisation play, says Christopher Hartland-Peel, analyst at Standard Bank in London. The country's economy suffered from rising inflation caused by the drought at the start of last year and from country-wide floods at the beginning of this year.

However, the Kenyan tea and coffee sector is expected to be buoyant as rainfall has helped production and prices, he says.

Some markets and sectors that have benefited from the rise in commodity prices caused by El Niño may now be feeling the downside. Malaysia's plantation sector has recorded large margins thanks to rising palm oil prices caused by the lack of rainfall.

However, the rise in prices has forced some users of palm oil to switch to substitutes such as soy oil, while the plantation companies could face high taxes imposed by the Malaysian government, which needs to shore up its revenues.

Analysts point out that investors may need to be wary of La Niña, which means little girl in Spanish and refers to the vigorous effects of "normalisation" that occur after El Niño has passed.

"This may mean that there will be too much rainfall in Asia and too little in Latin America," says Mr Romer.

Emiko Terazono

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RICHARD DONKIN

The selection question

The design of competency frameworks needs closer scrutiny to avoid pitfalls

I made a rare trip to the supermarket at the weekend. Fortunately I took my eldest son who explained that the telephone-like gizmos were scanning devices that allowed you to check off an item straight into the trolley.

I am not sure who's labour it was saving. There seemed little for the check-out operator to do except to swipe the credit card. But what struck me most was the changes that were going on.

It was not so long ago since I did the shopping yet I hardly recognised the place. The same is happening in recruitment. You think you have a grip on the fundamentals and suddenly you find all kinds of things have been happening. It was for this reason I found myself dipping into a "how to" book this week. These sort of books are not designed to be read from cover to cover and a book entitled *Competency Based Recruitment and Selection, A Practical Guide*, is hardly bedtime reading.

But for keeping abreast of recruitment and selection techniques it is first rate. Robert Wood, of Pearn Kandola Occupational Psychologists, and Tim Payne, of KPMG's HR Consulting Group, set their stall out by outlining changes in technology, legislation, organisations, jobs, contractual arrangements, society and marketing that are all impacting on the processes used in recruitment.

Non-competing companies may begin to band together to commission tests

This means, they argue, that selection methods will also change. Finding recruits, for example, is going to become more important with a greater focus on attracting the right sort of applicants. The scale of the task facing big employers could be seen at British Airways last month when the company held its recruitment fair at Olympia in Kensington, London. BA, which receives some 100,000 job applications each year, took in 8,500 CVs over the two days of the fair and began screening nearly 4,000 applications for cabin crew and ground staff.

The induction process, say the authors, will also need to be developed to ensure that new employees can ease themselves comfortably into the company. Why spend thousands recruiting someone if you are going to alienate them as soon as they walk through the door?

Selection methods, they suggest, may have to change, particularly for graduates where over-exposure to published ability tests on the annual milk round is becoming an issue. Some employers prefer to have custom-designed tests but this can be an expensive option for all but the biggest employers. The authors predict that non-competing companies may begin to band together to commission tests for their exclusive use.

The authors expect a growth in the popularity of assessment centres, expanding from use among graduates and managers to supervisors and shop floor workers.

Some predictions such as regulation of test publishers and accreditation of assessors might have merit but there would probably need to be greater evidence of bad practice to see any change.

The fact that there are poor tests on the market and that claims for the performance of some tests may be overblown is a feature of most markets.

In terms of what is being assessed the authors go no further than to note that competencies are king although they do acknowledge that "the next big thing" might be just around the corner.

They appear to recognise the difficulty so many people have in grasping what is meant by competencies – abilities or traits that can go by many other names and descriptions in different recruitment procedures.

They also list some potential pitfalls in competency based recruitment. One danger is that of cloning or recruiting in your own image which has long been recognised as a problem with the unstructured interview.

The argument goes that by drawing up a list of competencies reflecting successful people in your company you may reduce the diversity of approaches and ultimately stagnate.

Some of the techniques most commonly used to define such frameworks, say the authors, can only find the characteristics that have been successful up to that point but may not discover what an organisation is going to need in future.

The book recognises that the way that many competency frameworks have been designed has been poor. The authors had encountered one employer which had listed 390 characteristics. Another had a competency indicator which simply stated "is under 30" because it had decided that employees over the age of 30 were no longer able to think quickly enough to do the job.

One possible development may be a reassessment of the sorts of competencies

The authors had encountered one employer which had listed 390 characteristics

that are required. Some employers are becoming attracted to individuals demonstrating an ability to learn so that they can adapt to the changing workplace.

Another possible change will be in the focus of assessment towards identifying high-flyers. This is a controversial area that has not been debated sufficiently. When you find your high-flyers how do you keep everyone else on side and does it matter anyway?

The authors forecast that selection will have to become increasingly concerned about fairness and diversity, partly because of discrimination risks and partly because of a need to reflect the composition of the population from which the company draws its customers.

Personnel managers at Asda are monitoring the recruitment of ethnic minorities into the company to ensure that it reflects its customer base.

In addition to sections on designing the selection process, including the framing of advertisements, the book has some useful information on sifting procedures, an increasingly vital area for big employers. It also warns managements about the dangers of "junk applications" that can arise from advertising on the internet.

For what is principally billed as a guide, the authors have provided a comprehensive and up to date collection of recruitment and selection practices with some valuable critiques of some of the more mysterious processes in use.

Competency Based Recruitment and Selection, A Practical Guide, by Robert Wood and Tim Payne. Published by John Wiley & Sons, price £18.99.

richard.donkin@FT.com

WORKING BRIEFS

Multinationals' expat packages 'unprepared' for euro's launch

Multinational companies are doing too little to prepare their expatriate packages for the introduction of the euro in January, according to a study by KPMG, the accountants.

Some 85 per cent of 350 executives surveyed at a recent KPMG conference on international assignments said they believed the euro would affect the packages of staff working abroad but only a quarter had begun to address the problem.

Introduction of the euro will mean that cost differentials between European states will become clearer, needing fewer reviews of cost of living allowances, says Leslie Ferrar, international executive services partner at KPMG.

But companies will need to begin readdressing their pay systems, she says.

Directors paid on performance

Most UK company directors are paid on the basis of short-term financial performance, according to a report from MORI commissioned by the Centre for Tomorrow's Company. The report, based on interviews with 160 directors, managing directors and chairmen from the top 150 companies by turnover and the top 100 financial organisations by capital employed, found that two-thirds were paid on the basis of their performance over 12 months. Stuart Hampson, chairman of Tomorrow's Company, says companies are getting their priorities wrong. "By rewarding financial performance," he says, "we continue to encourage people to achieve their pay targets at the expense of long-term relationships."

Cost of social security 'retreat'

The new edition of William M. Mercer's International Benefit Guidelines highlights a need for industrialised countries to address increasing pressures on their social security systems. In Japan alone, it says, pension and healthcare provision will be costing around 20 per cent of GDP by 2030. Multinational companies will need to consider the implications of "social security retreat" by governments when searching for new markets and business locations, it says. The report is free of charge.

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Market capitalisation is now around £80M. Xaar has challenging growth targets and is expanding into new areas of operations - worldwide.

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- Manage the achievement of sales growth targets from existing and new customers.
- Drive the company forward into new and developing market opportunities.
- Build a formidable team of professionals capable of selling to major multi-nationals.

The Person

- Proven achievement of significant sales growth.
- Experience in computer peripheral and/or printing industries.
- High level contacts within relevant industries.
- International negotiation experience - especially USA and Japan.

If you have the entrepreneurial flair to meet this challenge, then contact:

XAAR

Mrs Wendy Hepburn, Personnel Manager
Xaar plc, Science Park, Cambridge CB4 4FD

Director of Product Development

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Our client runs a portfolio of the most established and successful brands in UK Financial Services. Already a major player and part of a global group, the organisation aims to expand its market coverage and penetration still further, using these brands to focus on highly profitable market sectors.

Whilst maintaining the appeal and distinctive characteristics of each brand, the UK Life business has embarked on a strategy to create a common customer and distributor service processing infrastructure, reporting to one management team. A new appointment has been created, operating as the member of the UK Life Board, tasked with leading the group's UK Life businesses product development.

The brief is to identify the key requirements for each business by:

- Leading the prioritisation, planning and resourcing process
- Directing and appointing the multi-disciplinary project teams
- Operating the "stage-gate" process from feasibility to the launch and review phases
- As a senior management team member, contribute significantly to the broader business

A visionary product developer and demonstrable Life industry innovator, the ideal candidate will be a practised project manager capable of leading and achieving results by skilfully steering through complexity, ambiguity and change. An industry shaping brief, the role provides excellent scope for further development and international career progression.

Interested candidates should write with full CV, quoting current rewards package to Petra Rickmeyer and Rupert Dobson, Financial Services & City Practice, Hoggett Bowers, 28 Essex Street, London WC2R 3AX, Tel: 0171 970 9600, Fax: 0171 936 3974, quoting ref: LPR/16480/FT.

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GESUCHT: FINANZTIGER

Seit der Gründung im Jahre 1966 hat sich Bank of Ireland Asset Management (BIAM) in ein weltweit aktives Unternehmen entwickelt mit nachweisbar hervorragenden Langzeit-Investments. Zur Zeit verwalten wir Fonds im Wert von über 60 Milliarden DM. BIAM verwaltet als Fonds Management Gesellschaft börsennotierte Wertpapiere (Aktien und Anleihen) für eine vielfältige Gruppe von Kunden in Irland, den USA, Kanada, Europa, Australien und Südafrika.

Wir suchen engagierte Spitzenkräfte zur Unterstützung unseres internationalen Teams. Der Arbeitsplatz ist in unserem Frankfurter Büro.

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Dies ist eine anspruchsvolle Position für eine Spitzenkraft mit bis zu drei Jahren Erfahrung im Bereich des Kundenservice in der Finanzbranche (vorzugsweise im Fonds Management). Ihre Aufgabe besteht darin, einer Gruppe von institutionellen Anlegern einen erstklassigen Service zu bieten. Sie sind unter anderem verantwortlich für die Kundenbeziehungen und die Kontrolle und Berichterstattung über die Entwicklung der Aktienportefeuille. Sie sind serviceorientiert, können effektiv kommunizieren und haben einen eigen verantwortlichen und kooperativen Arbeitsstil. Sie sind fließend in Englisch und in wenigstens einer anderen bedeutenden europäischen Sprache.

Wir bieten hervorragende Entwicklungsmöglichkeiten in einem sich rasant entwickelnden internationalen Unternehmen. Für beide Positionen bieten wir eine überdurchschnittliche, leistungsbezogene Vergütung an.

Ihre schriftliche Bewerbung mit vollständigem Lebenslauf richten Sie bitte bis spätestens 10. Juni 1998 an:
Fred Healy, Head of Human Resources,
Bank of Ireland Asset Management Limited, 26 Fitzwilliam Place, Dublin 2, Ireland.

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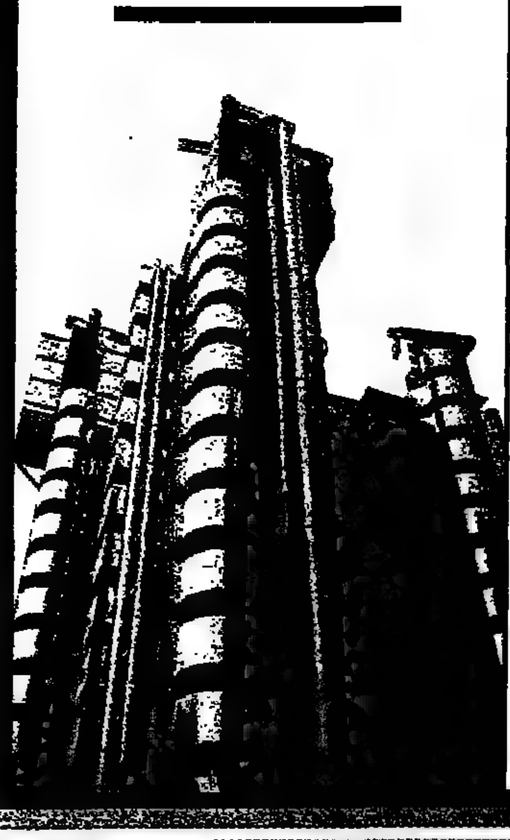

Covering the World

Career Opportunities for Professionals

Lloyd's role at the Centre of the London and world insurance market has never been more important, spearheading change and growth into the next millennium. As a result the profile of the Regulatory Division at Lloyd's has increased significantly. The Division's overall objective is for Lloyd's to be amongst the best regulated markets in the City of London. To meet its responsibilities, the Division is organised into five key functional groups: Policy, Authorisation, Monitoring, Enforcement and Regulatory Proceedings.

Regulatory Division

Several opportunities currently exist across the Regulatory Division, at a number of levels.

The nature of the work depends very much upon which functional group successful candidates will join. The work could include responsibility for:

- Formulating regulatory policy for consideration by the Lloyd's Regulatory Board and its sub-committees, taking into consideration changes to the Lloyd's marketplace, financial regulations and, increasingly, changes in European legislation.
- Ongoing monitoring through on-site visits of approximately 80 underwriting agents and 150 Lloyd's syndicates currently active in the market.
- Ensuring firms and individuals applying for authorisation and registration are subject to a thorough process of examination before being allowed to conduct business at Lloyd's.
- Investigating allegations of misconduct and regulatory breaches by undertaking in-depth reviews. Investigation work includes preventing potential problems before they occur as well as reacting to allegations.

The positions require team players who have developed interpersonal skills. A working knowledge of underwriting agents, syndicates and classes of business written at Lloyd's is not essential as full training will be provided. The positions will appeal to candidates who are looking for a new challenge and the chance to work in a dynamic, changing environment. Remuneration packages will be commensurate with the skills and experience of successful candidates.

If you believe you can meet the challenge on offer, please send a full CV to Jim Richardson, ACA at Michael Page City, 50 Cannon Street, London EC4N 6IJ or contact him on 0171 269 1888, fax 0171 329 2986, quoting reference 424713, e-mail: jimrichardson@michaelpage.com.

Michael Page
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MONITOR COMPANY

A New Approach to Corporate Finance

Monitor Company has grown rapidly over the last 15 years to become one of the top strategy consultancies with over 750 staff and operations in 30 countries. It has a range of sister companies including a newly raised buy-out fund. The group's success has been achieved through working in partnership with a large number of blue-chip clients and retaining a constant focus on quality of service. Monitor has recently established a new Corporate Finance subsidiary. This offers a differentiated approach to transaction advice by integrating the strategic, corporate finance and organisational issues which are increasingly critical to achieving transaction success, particularly in complex transactions such as joint ventures, mergers and alliances. Working in Corporate Finance with Monitor will allow candidates to see the whole picture rather than just advising on transactions. You will be given the opportunity to understand the business issues behind assignments and follow deals from conception to integration, allowing you to see the impact of transactions on company performance.

Monitor are currently recruiting at three levels:

Candidates at a junior level will be recent graduates with up to two years experience, preferably gained in a leading investment bank, financial institution or accounting firm or exceptional new graduates. An aptitude for business modelling is crucial, as the role will involve responsibility for financial analysis, as well as support for the origination and execution of transactions.

The two other positions are for more senior individuals with proven experience of managing transactions in a leading investment bank or other top-tier financial institution.

The Senior Project Manager will have at least five years transaction experience and will manage investment banking type assignments on a day-to-day basis. He or she will work closely with senior clients.

The Manager will have at least three years transaction experience and will be expected to take responsibility for specific aspects of transactions and for managing junior staff.

Candidates at all levels should be highly motivated team players with strong analytical and communication skills backed by outstanding academic and personal records and the ability to command respect for their views from clients and within the firm.

Combining the scale of a small company with the resources of a global firm, Monitor's Corporate Finance company will provide an environment where your entrepreneurial flair and talent will be rapidly recognised and encouraged. As the business expands, prospects for advancement are excellent.

These positions will particularly appeal to candidates who may be frustrated by the fixed approach in their current firm and who relish the challenge of working within a highly innovative culture established by some of the world's leading business thinkers and practitioners.

Interested candidates should send a full and up-to-date CV to Jayne Philpott at Michael Page City, 50 Cannon Street, London EC4N 6IJ, quoting reference 423166 e-mail: jaynephilpott@michaelpage.com

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This is a unique opportunity to lead, manage and monitor all aspects of the pensions strategy, including investment, benefits administration and overall performance of a major corporation at an exciting stage in its development. There is also potential to expand the role internationally.

The Position

- Lead on all aspects of strategic pensions development of the company's business in the UK.
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- Co-ordinate and control the activities of external service providers, such as pensions administration and investment management, seeking continuous improvements.
- Ensure compliance with both UK and international accounting standards and excellent secretarial support for the trustees.

The Requirements

- Likely to be late 30s to mid 40s. A relevant professional qualification is essential.
- Previous experience of managing major UK pension arrangements and evidence of contribution to strategy within a multinational organisation will be required. This individual could come from either a corporate or consulting environment.
- A track record of introducing improvements to the quality of service to employees and increasing the value obtained from outside suppliers.
- Highly numerate and a first-class communicator. Excellent technical skills and a knowledge not only of pensions developments in the UK but also of overseas arrangements.

Please send your CV with current salary details to: Julia Williams, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 6544A/04.

Alternatively send by fax on 0171-312 3380 or by e-mail to kfs-london@kornferry.com
Internet Home Page: http://www.kfselection.com

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A DIVISION OF KORN/FERRY INTERNATIONAL

International Management Consultancy

Central London

Our client is the new UK subsidiary of one of the world's leading Executive Search and Human Capital Consulting firms. We are creating a global research capability to provide clients with state-of-the-art market and sector intelligence, and to support strategic human resource advisory work and executive search assignments.

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To work as leaders of small closely-knit teams which will conduct continuous research in various sectors of the financial services industry and provide detailed market reports, briefing papers and other analyses. This activity will be used to identify, approach and attract potential candidates to fulfil searches for our clients.

Candidates will be graduates in their mid 20s or over. Prior analytical experience is not essential, as exposure to financial services work may suffice. We are also interested in receiving applications from individuals currently working in financial information services and journalism.

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Please write with full CV and telephone numbers to:

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£Excellent · Edinburgh

Successful, ambitious and determinedly independent, our client is one of the UK's largest Investment Trust Managers and manages in total assets of some £7.8 billion. Thanks to a well structured and disciplined investment process, its worldwide performance is impressive.

A prime example is their Pacific Basin operation where investment performance compares favourably against the relevant benchmarks, despite the region's recent difficulties. Their portfolio includes the largest Asia-Pacific investment trust in the UK and one of the best performing regional unit trusts.

Maintaining this excellent record of achievement calls for first-class research, and this is where your skills and experience will make a vital contribution. Leading a small team, you will be responsible for developing existing research tools, methodologies and delivery systems, whilst maintaining model portfolios for each country covered, to ensure that the investment managers can make confident judgements based on accurate and up-to-the-minute information.

To meet these challenges you will need excellent analytical skills and at least five years' experience of researching Pacific Basin equities.

As team development will form an important part of your role, it is essential that you can effectively convey both your knowledge and enthusiasm to your team. You must also share the company's high regard for primary research and, for that reason, be willing to travel regularly to the region.

This position offers the opportunity to be part of a close-knit organisation working in a professional yet relaxed environment. You'll be perfectly placed to enjoy Edinburgh's unique blend of culture, stunning scenery and the quality of life it affords. More importantly, you can look forward to a competitive remuneration package which includes a performance-related incentive programme and a comprehensive range of benefits. Relocation assistance will be offered where necessary.

To apply, please write with full CV, quoting ref: 2174, to the Confidential Reply Handling Service, AIA, 5 St John's Lane, London EC1M 4BH.

Applications will only be forwarded to this client. However, please indicate any organisation to which your details should not be sent.

aia
HR MARKETING & COMMUNICATIONS

Corporate Banking Relationship Manager

Our client, a leading European bank, is seeking a corporate banking executive with a minimum of 3-5 years' experience of marketing a wide range of banking products to medium/major UK and European corporates. Ideal candidates will be fully conversant with a wide range of products including: term lending, trade finance, treasury products including derivatives and cash management systems.

The position will involve a range of duties including all aspects of account relationship management and marketing for new business opportunities whilst assisting in the development of current relationships. Candidates must have the ability to identify a company's needs and to generate new business.

We invite applications from experienced candidates who are degree educated, have a strong credit background, good presentation and communication skills. The latter are necessary when interacting and integrating with other members of the group.

For the right person, who must be a good team player, this position offers significant scope for growth and promotion.

Complete fluency in English/Spanish, both written and spoken is absolutely essential to take advantage of business opportunities within the current portfolio and worldwide Group sphere of operations.

Please send your full CV together with details of your current package to our recruitment consultant, Julie Calvert, at the address below.

JONATHAN WREN

Jonathan Wren Search & Selection Limited
34 London Wall, London EC2M 5RU
Telephone 0171 588 0828 Facsimile 0171 588 0829

30 YEARS

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هكذا من الأصل

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£125,000 - £200,000 plus benefits — London based - West End

Structured Finance Group is part of the Specialised Financing arm of GE Capital, one of the largest and most diversified financial services companies in the world. Our corporate HQ is in Stamford, CT, USA. GE Capital is in itself a division of General Electric*, one of the most high-performing enterprises in the world with global manufacturing, technology and service operations.

Structured Finance Group in London continues its rapid growth in commitment of funds, over $300 million in 1997 - our best year ever - and moving to $1 billion by the Millennium. Our increasingly global focus includes power, telecommunications, transportation, industrial and infrastructure projects.

This development and expansion now requires the addition of a new team member with extensive experience in identifying, developing, structuring and executing complex tax and non-tax financial products across Europe - including cross-border leases, debt and equity products and arbitrage opportunities.

As the appointed candidate you must have a truly innovative approach to product creation and problem solving that breaks with traditional conventions and boundaries. This will enable the team to use your product applications that will be new to SFG and fit our risk/return criteria, thereby delivering better capital solutions that have the power to develop our clients' businesses. You will have sound business judgement, presence and European language skills.

GE Capital is firmly committed to a policy of career progression within the group worldwide. This appointment is an excellent personal development opportunity.

The total compensation for this position will be in the range £125,000 - £200,000 plus a superior benefits package.

Please write to our advising consultants at the address below enclosing a copy of your CV and current salary details, quoting ref:7418/SFPD.

CJA, 2 London Wall Buildings, London Wall, London EC2M 5PP.
Tel: +44 171 588 3588 Direct line: +44 171 638 0680
Fax: +44 171 256 8501
E mail: cjagroup@online.rednet.co.uk

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GE Capital

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The rising importance and spectacular expansion within the Group will provide the appropriate individual a unique opportunity for professional and personal growth.

As part of the Analytic team of the trading group, the position involves work on a multitude of projects, including portfolio optimisation, currency and credit risk management and trade valuation systems. The product development effort is geared towards trading, risk management and investor products. It combines original research, systems building and integration.

The ideal candidate will have an excellent academic background coupled with strong analytical and computer skills, with hands-on programming experience, ideally in Visual Basic. The candidate will have a minimum of one to two years' commercial experience gained in the financial world preferably within a major securities group.

From a personal perspective, the successful candidate should be highly motivated and independent with excellent interpersonal skills. He/she will also need to have the right to work in the UK.

Applications will be forwarded directly to the client. Candidates should send a covering letter and a full CV, outlining any organisations they do not want their details forwarded to, to Anthony Cook or Tania Wild, Ref: 2960/02 at Morgan & Banks PLC, Brettenham House, Lancaster Place, London WC2E 7EN. Fax number 0171 240 1052.

e-mail: info@morganbanks.co.uk — http://www.morganbanks.com.au

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Our client is a leading City based Asset Manager with a full range of institutional products. It has particular strength in the areas of Bonds & Currencies. Consistently good performance over a number of years and excellent relationships with the major consultants has resulted in a continuing flow of new business enquiries and mandates from clients in the UK and Europe. The next stages of their strategy are to develop relationships with the major UK public & corporate pension funds.

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The successful appointee will be a graduate probably aged between 28-35 with a background in Fixed Income/Currency markets either in fixed income sales or fixed income fund management. Alternatively someone currently employed in an investment research role within a firm of actuarial consultants would be of particular interest.

The highly attractive remuneration package will reflect the seniority of the role and includes an exceptional bonus scheme in addition to basic salary and fringe benefits. To apply, please write enclosing your CV, (including details of your current salary package and daytime contact number), quoting reference 1455 to Fiona Law at FLA Ltd, 211 Piccadilly, London W1V 9LD.
Tel: 0171 738 9732. Fax: 0171 917 2932.
E-mail: FLALtd@Compuserve.com
Please ensure that your application reaches us by 19 June 1998.

FLA
SEARCH, SELECTION AND CONSULTANCY SERVICES

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The successful candidate should have an excellent educational background and experience in, among others, corporate strategic planning in a banking environment, operating Budgets, Product Development, Service Quality, Marketing Research and Studies.

He should have a graduate degree in Business Administration, Economics or Finance, with 15 years of experience in corporate planning in a leading banking institution.

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The successful candidate should have an excellent educational background and experience in, among others, Human Resource Strategy, Master Plan Development, Resource Allocation, Career Pathing, High Flyer programmes, Performance Measurement and Evaluation.

He should have a graduate degree in Business Administration or Human Resource Management with 12 years relevant experience in a major financial institution.

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The successful candidate should have extensive background in Training Strategy, Business Tactical Planning, Organisation Training Development, Curricula and Programme Design, Career Pathing and Skill Inventory Procedures.

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Competitive expatriate compensation and benefits package available to the right candidate. Please write in confidence to:

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Renowned as a Global leader in Strategy Consulting, our client is now establishing a new team in Corporate Finance Advisory services and is looking for rare individuals with some or all of the following skills:

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Financial Times

Associates - Structured & Project Finance

Do you have the firepower to contribute to the transaction process?

Excellent Package — London based - West End

Structured Finance Group is part of the Specialised Financing arm of GE Capital, one of the largest and most diversified financial services companies in the world. GE Capital is itself a division of General Electric*, one of the most high-performing enterprises in the world with global manufacturing, technology and service operations.

Structured Finance Group in London continues its rapid growth in commitment of funds, which are expected to exceed $500 million p.a. by the Millenium. We are in business to deliver exceptional financial returns. Our geographic region encompasses Europe, Middle East, India and Africa, with a focus on Western and Eastern Europe, and covers power, oil and gas, telecoms, infrastructure and industrial sectors.

You will be joining an exceptionally able team and as a senior transaction associate you will report to a Risk Manager and also support the originators at the forefront of the transaction process. You will be responsible for all aspects of transaction risk management, including analysis, structuring, financial modelling, negotiation and documentation for debt and equity transactions.

We need people who can hit the ground running and have transaction experience of various sectors, countries and companies and different legal regulatory frameworks. You will have an MBA and 2-5 years' experience in corporate, structured or project finance or equity investments and ideally be multilingual.

GE Capital is committed to a policy of career progression within the group world-wide and these appointments are excellent opportunities for personal development. An excellent package will be negotiable.

Please write to our advising consultants at the address below enclosing a copy of your CV and current salary details, quoting ref:7400/FT
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Tel: 44 171 638 0680 Fax: 44 171 256 8501
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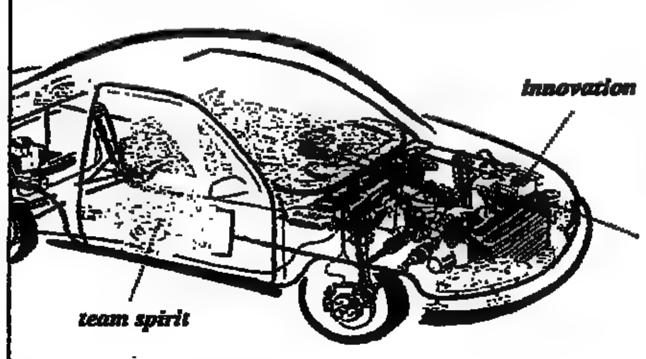

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We have an immediate opening at the Delphi Delco Electronics Systems European Headquarters in Wiesbaden for a:

Your job responsibilities will include broad-based financial activities such as:

- *establishing and measuring financial budgets and business plans to meet overall corporate objectives*
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- *conducting joint venture and acquisition studies*
- *supporting strategic pricing activities by analyzing costs, revenues and business cases*
- *preparing, analyzing and securing approvals for capital investments*
- *managing cash and performing other treasury functions*
- *supporting the internal control process and related activities*

Candidates should possess a degree in Business Administration and at least 4 years of finance-related experience, preferably in a multinational corporation. Experience in the electronics and/or automotive industry would be a plus.

We expect fluency in English and one additional European language. Computer skills and PC-based financial analysis modeling are essential.

We offer competitive salary and benefits, and access to the exciting career opportunities within a global corporation.

If you meet our criteria, please send your application, including your salary requirement, in English via fax or mail to the address: Karin Peschl, Human Resources Manager Delco Electronics Europe GmbH, Gustav-Nachtigal-Straße 5, 65189 Wiesbaden, Fax:+49-611-78 77 851, kpeschl@mail.delcoelect.com

DELPHI
Automotive Systems

HSBC Equator Bank plc

Member HSBC Group

Corporate Finance – Africa

HSBC Equator Bank plc (HSBC Equator) is a part of the HSBC Group, one of the world's largest banking and financial service organisations with an international network of more than 5,500 offices in 79 countries and territories. HSBC Equator Bank works exclusively in sub-Saharan Africa where it has over 20 years experience.

HSBC Equator's Corporate Finance team helps its African clients to raise debt and equity capital, and provides advice on privatisations, mergers, acquisitions, divestitures and restructurings. HSBC Equator's Corporate Finance team is looking to recruit an outstanding professional to work on a diverse range of transactions throughout Africa. The position is London-based with regular travel to Africa.

This is an excellent opportunity for a candidate who has corporate finance experience and wishes to progress his/her career.

The ideal candidate should have the following profile:

- 3+ years Corporate Finance or related analytical work
- French language (Mother tongue required)
- English language (fluency – written and spoken)
- Excellent academic background, Masters Degree in Finance or Business
- Special interest in Africa or developing markets
- Ambition and commitment

The successful candidate can expect early responsibility. The position carries a competitive salary with the prospect of substantial performance-related bonus.

Please write in strict confidence to:
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FT FINANCIAL TIMES — les Echos *Le Quotidien de l'Economie*

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Karl Loynton on +44 171 873 3694

SENIOR TRADING ASSISTANT

Required by an expanding Hedge Fund. The ideal candidate will have 2-4 years experience as a Quant. Analyst with excellent financial modelling and IT skills (VB or C++ essential). Knowledge of equities arbitrage/options strategies very useful. A desire for success as part of a small, highly professional team is a pre-requisite. Ideally educated to MBA/PHD level in Engineering/Physics.

Salary £30-50k basic plus substantial bonus potential.

Please contact Ashleigh Mitchell on 0171 349 0414 or send an e-mail to ashleigh.mitchell@dpfm.com

Montrusco Associates Inc.

As a consequence of continuing growth in the number of our international management mandates, we are expanding our research and investment capabilities by the appointment of a:

FUND MANAGER
JAPANESE EQUITIES

Permanent position
Montréal, Canada

Salary + Bonus + Benefits

Montrusco Associates Inc. is a leading investment counselling firm with offices in several Canadian cities. The firm manages over nine billion dollars of assets for corporations and high net worth individuals. Its head office is located in Montréal, a first class financial center.

Reporting directly to the Senior Vice President, Foreign Equities, the Fund Manager shall be responsible for setting up and managing an in-house Japanese equity portfolio and shall also participate in the global asset allocation of international equities.

The successful candidate shall possess a university degree, preferably in Finance, with a minimum of five years experience in Japanese equities, three of which as a fund manager. This person should have been associated with a team of professional global investors. A working knowledge of Japanese would be an important asset.

In addition to the basic salary, competitive benefits are offered as well as a bonus program based on portfolio performance. Travelling expenses during the selection process as well as certain relocation expenses upon hiring shall be paid by Montrusco Associates Inc.

Applicants interested in taking up this challenge should forward their CV in confidence to:

Mr. Michel Bastien
Montrusco Associates Inc.
1501 McGill College Avenue
Suite 2800
Montréal (Québec) Canada
H3A 3N3

HEAD OF TAIWANESE EQUITY SALES

DIRECTOR LEVEL APPOINTMENT

SFA REGISTERED SEO

Experienced equity salesperson sought to manage a stockbroking firm specialising in Taiwanese equity sales.

Prospective candidates should have extensive experience in Taiwanese equity and related products and a proven record in a sales environment.

The successful candidate will be degree level educated with fluent Mandarin and English, spoken and written, PC literacy is essential.

A competitive salary with benefits will be offered to the right applicant.

Applicants should write with CV and covering letter to:

Box A6168, Financial Times,
One Southwark Bridge, London SE1 9HL

THE UKRAINIAN-EUROPEAN POLICY AND LEGAL ADVICE CENTRE

BASED IN KIEV IS AN EU (TACIS) FUNDED INSTITUTION WHICH PROVIDES LEGAL AND POLICY ADVICE TO THE PARLIAMENT AND GOVERNMENT.

We are urgently looking for a qualified

LAWYER

to work as long-term expert (10 months) in Kiev.

- You will be working in a team of 20 EU and Ukrainian legal and macro-economic experts on a number of major reform issues.
- Working language is English and you should have a basic knowledge of Russian or Ukrainian.

Please write with your CV or send for further enquiries:
I.R.Z. Stiftung (att. Dr. Herrnfeld),
Ubierstraße 92, D-53173 Bonn
Fax: +49 228 9555 100

EURO LONDON APPOINTMENTS

BANKING WITH LANGUAGES

FINANCIAL CONTROLLER

Frankfurt Based - c£60K + Bens

This is an exceptional opportunity to join the management team of a leading Commodities Trading Firm. The successful applicant will provide comprehensive support in respect of financial and management information including risk management, financing, accounting and tax supervision. You will be a P/Q accountant with minimum 4 years experience in a related position preferably within a Trading or Financial Institution. Fluent German and English essential.

EQUITY RESEARCH ASSISTANT

Fluent European Language - To c£45K + Bens + Bonus

This is an exceptional opportunity to join one of the leading US Investment Banks within Equity Research. Providing support to a team of Research Analysts, the role combines both junior research activities and administrative support. You will possess a 1st or 2:1 degree with a further MBA or Accounting qualification. Advanced PC skills are essential as is the ability to have a versatile and resilient nature.

CREDIT ADMINISTRATION OFFICER

Foreign Languages Preferred - To £35K + Bens

Prestigious European Bank seeks a graduate (aged 25-35) with minimum 2-3 years experience in either loans administration or trade finance together with a knowledge of legal documents and banking procedures within loans/credit. A basic knowledge of accounting principals and credit analysis would be highly advantageous.

1 HARE PLACE, 47 FLEET STREET, EC4Y 1BJ
Tel: 0171 583 0180 Fax: 0171 583 7800
e-mail: city@eurolondon.com
Visit our Website: www.eurolondon.com

Leading worldwide chemical company is expanding and seeking top-level talent to join our team.

FINANCIAL CONTROLLERS

Responsible for establishing and maintaining financial controls for various business units throughout Europe (Germany, France, Netherlands & Belgium). Requires graduate ACA with a minimum of 10-15 years' experience

SALES DIRECTOR EUROPE

Reporting to the Sr. Vice President, the selected candidate will manage a direct sales force and distribution network. Must have at least 10-15 years' experience and a scientific degree, complemented by a business degree.

MANAGER INFORMATION TECHNOLOGY

Responsible for monitoring, maintaining and upgrading Novell & NT LANs & WANs. You will support users on Win 95 & NT (running MS Office), as well as support Internet, Citrix & AS/400. Requires 5-7 years' experience and hands-on knowledge of the above environments/software.

TECHNICAL SALES REPRESENTATIVES

Positions available in Northern France, Scandinavia and Germany. Requires Ph.D. in scientific discipline and 5+ years' related sales experience.

English fluency is required for all positions; multi-lingual ability is preferred. We offer competitive compensation and comprehensive benefit packages. For confidential consideration, please forward resume (indicating position of interest and compensation history) to: Confidential Reply Service, Box #440, 902 Broadway, 10th Floor, New York, NY 10010, USA.

Equal Opportunity Employer M/F/D/V

Appointments Advertising

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call Karl Loynton on 0171 873 3694

Financial Times

ACCOUNTANCY APPOINTMENTS

The Royal Bank of Scotland plc

Customer Service Manager

London **£ 45-60,000 + Bonus + Bens**

Do you want to use your customer focused, analytical business process skills to continue to develop our high customer services within our Treasury and Capital Markets? This newly created position requires you to work with Treasury Sales and Operations to identify our customers operational needs and by influencing your colleagues, deliver innovative solutions.

Other key aspects of the role:
- To define, agree and implement a quality operational service to T&CM internal and external clients.
- To work closely with both front office and operations department to set and implement new customer service levels.

This is an exciting opportunity for a high calibre individual.
- You have experience in process analysis and improvement in a financial environment.
- You are a highly motivated self-starter and of graduate calibre.
- You are proactive and possess excellent communication skills.
- You have strong interpersonal skills and are persuasive and resilient.

You enjoy a challenge and will receive a package commensurate with this high profile role.

The Royal Bank of Scotland Treasury and Capital Markets offers its customers a partnership approach to Treasury business with proven skills in innovation, flexibility, speed and experience. Do you want to play your part in achieving these challenging goals? Candidates should contact Toby Ramsdale at Michael Page City, 50 Cannon Street, London EC4N 6JJ. Telephone 0171 269 1906, fax 0171 329 2974. e-mail: tobyramsdale@michaelpage.com

Michael Page
CITY

London · New York · Paris · Amsterdam · Frankfurt · Milan · Madrid · Hong Kong · Singapore · Sydney

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CVC CAPITAL PARTNERS

Dynamic Accountant Required

London **Competitive Package**

CVC Capital Partners is a privately owned and fully independent private equity provider. Since 1981, CVC has been investing in companies to build businesses in partnership with management. CVC today is an internationally based business with offices in Amsterdam, Brussels, Frankfurt, Jersey, London, Madrid, Milan, Paris and Stockholm.

CVC has more than $1 billion available for new investments in the UK and Continental Europe. CVC have completed over 190 investments around Europe with an aggregate transaction value in excess of US$15 billion.

As a result of continued expansion of the business and with the imminent launch of our second pan-European fund, we are seeking to recruit a qualified accountant as an addition to the small team of professionals dedicated to all aspects of private equity administration and reporting.

The main focus of responsibility will be on preparation of financial statements, portfolio reporting on a regular basis and ad-hoc enquiries and related feedback to investors. In addition, the right individual will clearly have the opportunity to contribute in a number of other areas that overlap this essential part of our business.

Previous experience of the venture capital industry is not essential as long as the candidate has got a 'hands-on' approach and general financial and management accounting experience. Personality is key. It is essential that the successful candidate has the confidence and credibility to liaise effectively across all levels of the business both in London and abroad.

Interested applicants should contact Joanna Adolph at Michael Page City, 50 Cannon Street, London EC4N 6JJ, or telephone her on 0171 269 1840. Please quote ref 425465. e-mail: joannaadolph@michaelpage.com

Michael Page
CITY

London · New York · Paris · Amsterdam · Frankfurt · Milan · Madrid · Hong Kong · Singapore · Sydney

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MARKET LEADER, MANUFACTURING, INTERNATIONAL PLC

Excellent packages **LONDON**

With annual sales well in excess of £300 million and a full Stock Exchange listing, our client is the market leader in its field. With over 25 manufacturing operations in the UK and a number of similar subsidiary operations overseas, the company has experienced rapid growth organically and via acquisition.

The Group is totally committed to continuous quality improvement programmes to benefit its products, customers, employees and shareholders, and is investing heavily in human resources and new technology to assist in these initiatives.

The Group now wishes to appoint two senior finance professionals who will help form an enhanced finance capability to support the Group Finance Director and Group Chief Executive in their small London HQ. Both positions require individuals of outstanding ability, excellent PC and systems experience, and strong commercial backgrounds gained in organisations with a commitment to modern financial management processes.

GROUP FINANCIAL CONTROLLER

The Position
- Report to the Group Finance Director, with responsibility for ensuring the company's finance strategy supports its business objectives.
- Act as the pivitol plc finance professional overseeing Group accounts, Stock Exchange reporting, tax, treasury and compliance.
- Play a lead role in any issues of capital structures and acquisition & disposal programmes.
- Develop effective cross-functional working relationships, and contribute to the broader strategy of the Group on an international basis.

The Requirements
- Graduate calibre, results-oriented ACA, with a minimum of five years' PQE, some ideally gained in, or advising an international multi-site manufacturing organisation.
- Skilled in managing change both in the structure of the accounting function and in the improvement of existing financial controls and procedures.
- Quality exposure to plc reporting requirements.
- Team player with highly developed interpersonal skills to facilitate effective communication with business partners, customers and colleagues.

Ref: 05009D/04

HEAD OF FINANCIAL PLANNING

The Position
- Reporting to the Group Finance Director, work as part of a small high-profile Group Finance team, interfacing with and influencing the business units.
- Develop performance reporting and analysis systems to provide insightful and meaningful financial analysis to drive business decision making.
- Be the guardian of the Group's system strategy, enhancing the PC and network capability and appreciation thereof.
- As a commercial finance resource, support the Group's continuous quality improvement programme.

The Requirements
- Graduate calibre, results-oriented qualified accountant, with at least four years' PQE.
- Exposure to a multi-site manufacturing or engineering business, ideally at both HQ and operating company level.
- Advanced numerical/analytical skills, with the commercial awareness to identify key indicators and translate them into operational reality.
- Advanced PC skills, with the ability to significantly enhance finance systems and processes.

Ref: 05009C/04

Please send your CV with current salary details to: David Burton, K/F Selection, 252 Regent Street, London W1R 6HL, quoting the appropriate reference.

Alternatively send by fax on 0171-312 3380 or by e-mail to kfs-london@kornferry.com
Internet Home Page: http://www.kfselection.com

K/F SELECTION
A DIVISION OF KORN/FERRY INTERNATIONAL

Northern UK & Scotland LODER DREW & ASSOCIATES, INC. **Due to rapid expansion**

ACCOUNTANTS & AUDITORS

A New Concept in Auditing Has Arrived in Europe!

Loder, Drew & Associates are the fastest growing accounts payable/disbursement auditing company in the U.S., and now we are quickly establishing a presence in Europe. We are the recognised leader in our field, providing a unique service to major corporations worldwide - our clients rely on us to identify, validate and recover lost profits on a regular basis. Due to rapidly accelerating growth, we need more auditors throughout the UK.

We are looking for accounting professionals with 7+ years' experience to audit our clients' disbursements and develop business relationships throughout the UK and Europe.

If you are self-motivated and have excellent communication skills, you may be the right person for this role. You must be entrepreneurial in nature and have the commercial awareness to respond to client needs. Furthermore, the ability to look beyond the figures and bring added value to the client's business is vital.

A degree and accounting qualification or equivalent is essential. The flexibility to undertake weekly travel assignments may be required.

If you would like to be paid for performance, sharing in the value of the lost profits you recover, we would like to hear from you.

For immediate consideration please submit CV and salary history to:

LODER, DREW & ASSOCIATES, INC.
Heathrow Business Centre, Technicolor Building, West Drayton, Middlesex UB7 ODB
Fax 0181 759 4545
Email: kthompson@loderdrew.com
Visit our website @ http://www.loderdrew.com

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appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call Chris Ibbotson on 0171 873 3351

Financial Times

COMMERCIAL/FINANCE DIRECTOR

SOUTH GLOUCESTERSHIRE **C£55,000 package + relocation**

INTERNATIONAL CAPITAL GOODS

Live in the glorious Cotswolds? Join a £750m t/o European group at an exciting development stage?

INTERESTED?

You would work closely with the dynamic M.D. of this recently formed £30m t/o hi-tech engineering/contracting division, based in Gloucestershire but also involved in the further development of divisional activities in Europe, America, Africa and elsewhere.

A broadly based management/development role, ably assisted by a small, high calibre accounting and IT team.

YOU HAVE TO BE:
- ☆ An energetic and mature qualified accountant with relevant engineering and contracting experience at Commercial, Financial or Contracts Director level.
- ☆ Highly commercial with a practical, hands-on approach and a confident, diplomatic personal style - a good communicator and a good negotiator.
- ☆ Happy to undertake international travel as and when necessary; ability in spoken and written German highly advantageous - further training is available if required.

IF THIS COULD BE YOU please write forwarding your CV and salary details to the company's recruitment advisor - ANDREW MITCHELL FCCA, WILSON MITCHELL ASSOCIATES (Consultancy), 4 WATERLOO ST., CLIFTON, BRISTOL BS8 4BT. TEL: 0117 9291972, FAX: 0117 9238865.

هكذا من الأصل

Finance Director

Insurance Sector

c.£55,000 + Bonus + Car — **Herts**

Key appointment for proactive finance professional in successful niche insurance company.

THE COMPANY
- Well-established, progressive mutual insurance company. Enviable position within niche market. Committed to concept and practice of mutuality.
- Ambitious plans for increasing market share and diversification. Track record of product innovation. Strong customer ethos.
- Committed to employee development, partnership culture, continuous improvement.

THE POSITION
- Report to Managing Director. Direct and manage financial and administrative functions, delivering consistent high-quality service to Group businesses.
- Determine financial strategy. Drive improvement in financial and management reporting. Enhance operational performance through greater application of business information.
- Ensure regulatory compliance. Contribute to overall business/investment strategy. Key member of close knit management team.

QUALIFICATIONS
- Qualified accountant with significant strategic level experience gained in customer-focused environment. Insurance industry exposure beneficial.
- Demonstrable experience of improving commercial financial management. Technically excellent and commercially astute. Proactive and innovative approach. Strong manager and proven motivator.
- Confident and mature. Excellent communication skills, ability to influence and persuade. Team player.

Please send full cv, stating salary, ref LG80513, to NBS, 54 Jermyn Street, London SW1Y 6LX
Fax 0171 409 1786 Email siobhanc@nb-selection.co.uk Tel 0171 493 6392

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NB Selection — NBS — Financial Management

A BNB Resources plc company — ISO 9002 Registered

Finance Manager

Prominent Rail Franchise

£45,000 Package — **London**

Key member of forward-looking finance team to drive achievement of ambitious franchise targets.

THE COMPANY
- Franchise holder for high volume commuter service. High profile subsidiary of successful major UK Plc.
- Group committed to growing industry share. Significant investment plans to increase revenue across all group companies.
- Finance team provides critical input to business strategy. Commercial and competitive environment.

THE POSITION
- Report to Finance Director. Manage all financial accounting and reporting functions. Responsible for production and audit of all statutory accounts.
- Manage substantial team of multidisciplinary high-calibre staff. Liaise extensively at Board level and across Group.
- Project manage significant change programme across the business. Implement new systems development.

QUALIFICATIONS
- Qualified Accountant with track record of successful team management. Credibility at senior level.
- Experience of systems development and project management highly advantageous. Proactive change manager.
- Commercially astute and technically excellent. First class communications skills at all levels. Dynamic and ambitious.

Please send full cv, stating salary, ref LG80520, to NBS, 54 Jermyn Street, London SW1Y 6LX
Fax 0171 491 0447 Email laurao@nb-selection.co.uk Tel 0171 493 6392

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NB Selection — NBS — Financial Management

A BNB Resources plc company — ISO 9002 Registered

Financial Planning & Analysis Manager

High profile commercial finance appointment for dynamic, ambitious Finance Manager

To £55,000 Package — **London Luton Airport**

EasyJet has revolutionised air travel throughout Europe. It is the acknowledged leader in the rapidly growing concept of low cost, ticketless travel. Its entrepreneurial yet informed culture combined with uncompromising professionalism will continue to drive its aggressive expansion.

THE POSITION
- Manage and develop management accounting systems, financial planning and analysis. Report to Finance Director.
- Responsibility for revenue accounting controls, KPI evaluation and FOREX planning.
- Conduct ad hoc analysis to evaluate operational initiatives. Identify commercial opportunities. Manage business improvement projects.

QUALIFICATIONS
- Bright, graduate qualified accountant with a minimum of three years' post qualification experience. Technically excellent, high level of computer literacy and commercially proactive.
- Proven record of improving financial process. Strong business orientation.
- Results oriented team player with exceptional communication skills.

NBS — **Please send full cv, stating salary, ref LG80511, to NB Selection, 54 Jermyn Street, London SW1Y 6LX**
Fax 0171 409 1786 Tel 0171 493 6392
Email simonb@nb-selection.co.uk

easyJet

Divisional Finance Director

Business Services

c.£55,000 + Car + Benefits — **M3 Corridor**

Vital head office role for experienced commercial accountant.

THE COMPANY
- Market-leading provider of industrial services in UK. Turnover £100m. Growing and profitable.
- Multisite operations. Diverse range of industrial sectors.
- Fast-growing industry. Committed to ambitious growth. Acquisitive.

THE POSITION
- Provide leadership to the Divisional Board of Directors in the setting and achievement of ambitious profit targets.
- Provide strong leadership to accounting team. Ensure quality control. Report to Group Finance Director.
- Launch initiatives for business-control and development.

QUALIFICATIONS
- Graduate ACA/ACCA/CIMA. Minimum 5 years' PQE. Outstanding technical skills. Exposure to sophisticated financial and operational control in a medium-to-large corporate environment.
- Proven leadership and change management experience. Attention to detail. Significant commercial track record.
- Strong communicator. Energetic and dependable. Commitment to quality.

Please send full cv with covering letter, stating salary and relevance for the position, ref SL200081, to NBS, PO Box 564, Slough SL1 2YA
Fax 01753 608001 Email NBSResponse@nb-selection.co.uk Tel 01753 608350
Responses will be forwarded directly to our client. Please indicate any companies to which you do not wish your details to be given.

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NB Selection — NBS — Financial Management

A BNB Resources plc company — ISO 9002 Registered

Group Internal Audit

United Arab Emirates

- *Our client is a diversified group of companies with interests in manufacturing, trading, retailing, contracting and education, employing some 2,000 people in the UAE.*
- *Two exceptional individuals are required to manage the establishment of the group internal audit department and implement the organisation structure, policies and procedures which are in the process of being developed. Responsibilities will include staffing the department and managing resources effectively to ensure that the expected benefits are soon demonstrated.*
- *The role of the group internal audit function will be to provide financial, operational and management audit, which will appeal to experienced auditors who have demonstrated an ability to identify wider business issues in the interests of improving productivity, efficiency, quality and profitability.*
- *The Manager, Group Internal Audit will ideally be aged around 40-45 years with the presence and personality to interface with senior management and be instrumental in initiating change. The Assistant Manager will be primarily responsible for supervising the execution of the internal audit plan in a multi-cultural environment. He is likely to be in the age range of 30 to 35 years and a CISA member.*
- *Both candidates must be CA, CPA, or CIA qualified and have approximately 10 to 15 years of relevant experience e.g. internal audit including financial, operational and quality audits, management consulting, external audit, etc. Other qualities required include: western education, leadership, self motivation, computer literacy, analytical skills and communication, report writing and presentation skills.*
- *The remuneration packages will be commensurate with the successful candidates' experience and qualifications. Expatriate benefits include accommodation, car and leave air fares.*

Only candidates who meet the above prerequisites should apply. Please address your CV, including salary history, to the Director of Human Resources, Ernst & Young, P.O. Box 9267, Dubai, United Arab Emirates or by fax on 9714 314999. Only shortlisted candidates will be contacted.

ERNST & YOUNG

REUTERS

Global Transfer Pricing Manager

CENTRAL LONDON — C.£60,000, PLUS BENEFITS

Reuters is a FTSE 20 Plc whose 16,000 staff serve 163 countries through 217 offices. Its products are market leading and are distinguished by speed, accuracy and through their global reach with a local focus.

This outstanding opportunity is for an enterprising professional to work within the Group Tax team and to focus on and co-ordinate Reuters' global Transfer Pricing (TP) opportunities in the context of a rapidly evolving worldwide legislative framework. Principal responsibilities will include:

- Identifying existing and potential TP issues and ensuring compliance
- Driving TP issue awareness across all business units
- Proactively developing working relationships with Regional and in-country finance teams
- Keeping all relevant parties informed of changes in Tax Treaties and other compliance legislation

This is an ideal opportunity for an ACA/ATII or Legally qualified professional, with 5 to 7 years' experience, to positively influence group wide tax awareness on this increasingly important issue. You will have an international corporate tax background gained within a Big 6 or equivalent legal environment, ideally with 2 years' experience in a company's tax team. Given Reuters' global nature, you must demonstrate a cultural awareness and a desire for international travel.

Interested candidates should write with full CV, quoting current rewards package to Kean August, Professional Services Practice, Hoggett Bowers, 28 Essex Street, London WC2R 3AX, Tel: +44 (0) 171 970 9600, Fax: +44 (0) 171 936 3974 quoting ref: LKA/16722/FT.

Hoggett Bowers | Executive Search and Selection

BEEFEATER
Sauza Tequila
Ballantine's Finest
Kahlúa
FIRKIN
DUNKIN' DONUTS
Baskin-Robbins Ice Cream

London

c.£50,000 plus excellent benefits

Treasury Manager

CORPORATE FINANCE

Allied Domecq PLC is a FTSE 100 international drinks and hospitality group which employs over 50,000 people world-wide. Its profits derive from two businesses, Spirits & Wine and Retailing. One of the top 300 companies in the world. Owner of Beefeater, Ballantines, Courvoisier, Teachers, Kahlua, Victoria Wine, Firkin Brewery, Dunkin' Donuts and Baskin-Robbins.

The Opportunity: This is an important role within the group's sophisticated international Treasury Department which comprises more than fifteen professionals in the UK and North America. The role is essentially ad hoc in nature and will require you to be proactive in your input to major corporate finance initiatives. You will be dedicated to ensuring capital structure is optimised and that investment and efficient funding opportunities are maximised. You will also support the management of the group's world-wide bank relationships.

You: We're looking for an MCT qualified individual; it would be highly desirable if you also had a recognised accounting qualification. Ideally you will have corporate finance experience gained in a treasury function or bank. If you are able to demonstrate a high level of achievement, result orientation, strong financial, analytical and modelling ability together with exceptional communication and presentation skills then please write in confidence, with your CV and remuneration details to:

CRITERION SEARCH

Criterion Search, 50 Regent Street, London W1R 6LP, quoting ref. 2081. Tel. 0171 470 7108. Fax. 0171 470 7171.

ALLIED DOMECQ

c. £60,000 plus benefits

ASSOCIATED BOARD OF THE ROYAL SCHOOLS OF MUSIC

London

Director of Finance & Administration

The Associated Board is an educational charity established by the four Royal Schools of Music in the UK. It is the leading national and international music examination board assessing over 500,000 candidates in over 80 countries each year. The Associated Board is also a thriving music publisher and provider of courses for instrumental and singing teachers. Following a strategic review and restructuring, a new post has been created to lead and develop all the support functions to ensure that the organisation builds further on its achievements and its aspirations to provide first-class services to teachers and students of music.

THE ROLE
- Reporting to the Chief Executive, provide leadership and direction to the Heads of Finance, IT and Administration harnessing a high quality team to develop strategies for maximising the quality and efficiency of operations.
- Ensure controls and processes are well established and responsive, upgrading systems where appropriate. Create and drive a proactive and supportive HR function.
- Raise commercial awareness further in all the operations. Instil rigorous project management methodologies.

THE QUALIFICATIONS
- Graduate Accountant, aged mid 30s+ with strong financial management and control experience gained in an international service business, ideally with knowledge of managing overseas operations.
- An incisive analyst with strong commercial acumen ideally combined with demonstrable musical commitment and enthusiasm.
- Superior leadership and interpersonal skills. Persuasive communicator and relationship builder with an enthusiastic approach able to operate effectively at Board level.

Leeds 0113 230 7774
London 0171 298 3333
Manchester 0161 499 1700

Selector Europe — Spencer Stuart

Please reply with full details to: Selector Europe, Ref. TRB/24259-2/58, 16 Connaught Place, London W2 2ED

Telenor

Director of Finance & Administration

(with extensive leasing experience)

London — £Excellent

Telenor is the telecommunications operator of Norway. Operating nationally and globally with a turnover in excess of £2.5bn, Telenor provides leading edge services in global communications, internet, mobile and satellite services. With markets broadly divided into the domestic and Nordic regions, the rest of Europe and globally, Telenor is aggressively expanding in all of its markets to provide leading edge telecommunications services. The organisation's vision is to continue to develop new opportunities and relationships as it builds on its position as a pivotal player in European telecoms, having recently entered strategic alliances with BT/Concert, TeleDanmark and Viag. As part of this continued expansion Telenor (UK) Ltd is looking to recruit a high calibre Dir of Finance.

Your brief will encompass all areas of finance and administration including:

- financial and management reporting including significant liaison with the parent company;
- management of existing financial lease contract including liaison with UK tax authorities and UK lawyers;
- management of contract with the parent company for the provision of sales and marketing, technical and satellite control services;
- corporation tax, budgeting, payroll and personnel;
- financial analysis for existing business and new business development.

The position will appeal to an individual with an entrepreneurial outlook who wants to be part of a fast paced and growing organisation. You will possess at least 5 years pqe, including 2 years in a financial management position as well as experience of high value lease transactions and contracts. The ability to think laterally, create opportunities and run an effective finance function are essential to the success of the role.

The benefits include an attractive basic salary, together with a car and generous company benefits.

Interested applicants should write, in the strictest confidence, to Steve Blair or Justin Dünner at Walker Hamill Executive Selection, forwarding a brief résumé, quoting reference SB4529.

WALKER HAMILL
103-105 Jermyn Street
St James's
London SW1Y 6EE
Tel: 0171 839 4444
Fax: 0171 839 5857

European Tax Analyst

c£55K Package — BERKSHIRE

With worldwide revenues of US $12 billion, Dell Computer Corporation is today the world's leading direct marketer of PC systems and the third largest PC manufacturer globally. The Company's rapid pace of growth (more than double the market rate over the last six years) has created a dynamic and flexible corporate culture, based firmly on individual merit.

With expansion, the structure of the organisation has become increasingly complex, necessitating the need to augment the finance team with a specialist European Tax Analyst. Working with the European Tax Director, the role will be responsible for the provision of planning, analysis and advice on complex business and operational objectives affecting Dell corporate tax issues. Through the provision of research and development into possible alternative strategies, the management of multiple projects in various geographical regions with both internal and external organisations, you will form a vital part of this high profile specialist team.

Suitable candidates will be qualified ACA's ideally 'Big Six' trained, with at least two to three years' broad based corporate income tax and VAT experience with a US multinational corporation in a European or regional capacity. Strong research, negotiation and communication skills will need to be displayed, along with a proven track record demonstrating the ability to manage multiple projects concurrently in a fast moving, young and dynamic environment. A positive approach and the ability to resolve, not just raise issues, is a key element to the successful execution of this role.

Interested applicants should write, in the strictest confidence, to our retained consultant, Christopher Mills and Simon Easter, at Walker Hamill Executive Selection, The Atrium Court, Apex Plaza, Reading RG1 1AX, forwarding a brief resume, quoting ref: CM4440.

All direct applications will be forwarded to Walker Hamill.

It's a Dell World.

• Dell employs approximately 1[illegible]

DELL
www.dell.com
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MAKE A DIFFERENCE

Yorkshire Water

Yorkshire Water is one of the region's major companies with a turnover in excess of £500m and is currently undergoing a major transformational change.

The level and pace of this change is fundamental to the company achieving its goal of unequalled customer satisfaction while remaining commercially competitive.

A high profile business facing ever increasing conflicting challenge and emerging competition it provides a dynamic working environment where the focus is on delivery without compromising quality.

Harnessing leading edge technologies with commercial drive is essential if the company is to succeed in the 21st century.

COMMERCIAL FINANCE MANAGER — £45,000 + Car + Benefits

As the financial expert within the management team, you will contribute at the highest level of business decision making. Your responsibilities will cover performance monitoring and the provision of advice on corrective action where inefficiencies are exposed.

Specifically you will • Undertake project appraisal ensuring economically sound decisions are made • Build a forecasting model for the operation in order that demand levels are anticipated • Establish a basis of costing by developing an understanding of key drivers • Co-ordinate the business planning process throughout

Furthermore, you will promote an improved financial and commercial awareness at all levels within the organisation.

BUSINESS PLANNING ANALYST — £35,000 + Car + Benefits

With responsibility for the Business Plan, you will play an important role in delivering commercial change through the effective planning and leadership of improvement projects.

Specifically you will • Develop a "balanced score card" for the business along with a basis for monitoring this • Set up a budgeting procedure and a method of prioritising between competing needs • Monitor the progress of change against planned targets • Lead initiatives to eradicate inefficiencies and ensure best practices

Our client is looking for high calibre professionals who thrive on challenge and can deliver in the face of demanding pressures. To be successful you will be a graduate and a qualified accountant with a solid track record of success in an FMCG/Retail environment, having a minimum of 3 years Post Qualification experience and a proven ability to deliver results. Applicants will probably be aged in their late 20's to mid 30's possessing drive, ambition and enthusiasm coupled with a desire to make a difference.

If you believe you possess the attributes required by these highly demanding roles, send your C.V., with salary details, to Phil Jones MBA at the address below. These vacancies are being handled exclusively by Northern Recruitment Group.

NORTHERN RECRUITMENT GROUP PLC
Abtech House, 18 Park Row, Leeds LS1 5JA. Tel: 0113 244 1318. Fax: 0113 244 1324. Email: recruitment@nrg.ltd.uk

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Creative, lateral thinking

Director of Finance

Acquisitive international technology business with £1bn objectives

Six figure package — *Home Counties*

Complex, high added value change projects...incorporating radical, large scale IT and telecoms based systems are the hallmarks of this £350m specialist solution provider. Global, blue chip customer base. Distinct and very visible within, and backed by substantial resources of, FTSE top 50 multinational of world renown. Well established reputation for innovation, supported by strongly commercial culture.

Key member of executive team...driving continued strategy of growth - both organic and inorganic. Catalyse development of innovative, sophisticated financial processes. Lead, manage and develop team of 80 finance professionals spanning business planning and project accounting in addition to financial and management accounting, treasury, financial analysis and systems. Play critical rôle in acquisitions.

Graduate, chartered accountant...with first rate training and substantial record of achievement in senior financial management within FTSE/Fortune rated multinational. Background in technology driven business, with associated risk management processes, required. Commercial, value added approach as important as out-of-the box-thinking: keen intellectual ability will be balanced by well honed political sensitivity. Detailed understanding of major, complex project accounting disciplines essential, gained preferably in IT, software development, consulting or pharmaceutical sectors; exposure to a variety of national accounting standards preferred. Ability to facilitate change mandatory.

Please apply by sending your CV quoting reference R98196 and stating current salary

BIR

**B-I-Recruiting
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London SW1P 3PA
Fax: 0171 233 0141**

A BOYDEN COMPANY
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International Treasury Analyst

International Treasury Centre – Uxbridge — *Excellent Package*

UNISYS

Exceptional career development opportunity for a bright achiever

The International Treasury Centre is a critical function within the Unisys Group. Its remit is to manage the cash and foreign exchange of all the Group's international operations. Unisys international operations span all subsidiaries of the Group outside of North America and contribute to the majority of turnover of this $6bn US based company. The Uxbridge Treasury Centre has recently been awarded the responsibility for the management of the Company's global foreign exchange exposure as part of its expansion.

As International Treasury Analyst, you will play a central role in the running of Treasury's daily operations, participating in the development and implementation of new projects to further enhance the profile of the centre as the Unisys International Treasury hub.

This is a highly visible role where your responsibilities will include:

- Reviewing and analysing all international activities and forecasts to assess Treasury's multi-currency positions.
- Managing cash and debt positions in countries as well as the multi-currency cash investment portfolio.
- Developing and enhancing Treasury's reporting and database capacity.
- FX dealing with trading rooms of major banks, settlement and monthly inter-company netting.

Candidates will be at least part-qualified with about 2 years' experience within the finance department of a major Group and will have some understanding of the money and currency markets. Knowledge of electronic banking systems, database development, cash management and the foreign exchange market is advantageous. First class analytical and communication skills are required as we expect the role to grow in parallel with the development of the Group's long term Treasury strategy.

This is a dynamic, highly professional, fast growth environment suited to an enthusiastic self-starter and strong team player, capable of working well under pressure.

To apply, please send a covering letter and CV to Harvey Nash plc, 13 Bruton Street, London W1X 7AH. Tel: 0171 333 0033, Fax: 0171 333 0032. Please quote reference number FN0004F and include current salary details and daytime telephone number.

You may also apply via http://taps.com/Harvey_Nash

Unisys is an equal opportunities employer.

JOHN LEWIS PARTNERSHIP — *Price Waterhouse*

Head of Taxation

London, Victoria

In some ways, we're quite different...

...from other retailers. The equity and control of John Lewis Partnership plc, and hence of the Partnership, are held in trust for the benefit of the employees. We don't pay dividends to shareholders - instead, we distribute a bonus to our employees or 'Partners' - the people who work for us. This means we have a unique sense of employee participation, involvement in the business, and culture.

And in some ways, quite similar...

...to other retailers. We pay taxes and so need to optimise the tax efficient structure of the group. Our stores run to over half a million different product lines, much of it sourced overseas. Capital intensive and investing heavily, we face challenging VAT, property and personal tax issues.

But above all, we're special

A uniquely British firm; 24 department stores and 115 Waitrose supermarkets (all UK) plus ancillary manufacturing activities combine to a £3.5 billion turnover; a premium position in our markets; strongly commercial; consistently successful; consistently growing; and sharing the benefits of that growth with our staff (22% bonus for each of the workforce last year).

...so you'll have to be the same.

Strong on corporate taxes and ideally good on VAT, property and other taxes too, its your style that will mark you out. Proactive; strong on negotiation; commercial in outlook; thriving on variety and multi-tasking; a 'do it now' person; energetic; enthusiastic; a strong winning personality; informal; confident; and good at explaining tax issues to the layman.

The deal from our side is...

...a comprehensive package (salary, car, bonus, non-contributory pension, staff discounts, etc). More significantly, though, the scope to develop the role; variety and opportunities to make a real business contribution and save money; and a chance to work at the heart of a fast moving and very successful retail business.

And one more, not insignificant feature...

...an increasingly rare working environment where despite an unremitting focus on costs and the bottom line, integrity, honesty, and a genuinely pleasant, open and friendly place in which to work still matter - that is our culture. How many of you reading this ad are honestly in that situation today?

Write to our advisors, Hamish Davidson (0171 939 3115) or Alistair McNeish (0171 939 3293) at Price Waterhouse, quoting reference H/1892/FT. Alternatively, either will be happy to have an informal/confidential conversation and share perspectives.

Executive Search & Selection
Price Waterhouse
Southwark Towers
32 London Bridge Street
London SE1 9SY
Fax: 0171 378 0647
E mail: Hamish_Davidson@Europe.notes.pw.com

Group Management Accountant

Leading Marketing Services Group — **Package c.£40,000-£45,000**

Highly regarded in its sector, our client is one of the world's leading marketing services groups. Based in London, the international head office has responsibility for the Group's expanding activities in the UK, Continental Europe and Asia.

Following an internal promotion, we are seeking a very bright Chartered Accountant to take a vital role within the Group financial management team. Reporting to the Deputy Group Financial Director, the key responsibilities of this challenging role include:

- The collection of group data for consolidation and conversion into the uniform management format;
- The timely delivery of accurate financial reports to the world wide head office;
- Prompt analysis of data to provide recommendations upon which senior management can act;
- Assistance in the implementation of newly developed accounting procedures and management information.

This Group level appointment requires a high degree of dedication and commitment. It will be best suited to someone who excels in a demanding, yet friendly working environment.

To succeed, you will be a high quality ACA with two to three years' post-qualification experience. Previous experience in a group role, with knowledge of consolidations and Hyperion software would be desirable. Computer literacy is a key requirement. You must possess strong interpersonal skills; be a proactive team player; have a hands-on approach to the numbers, and a good eye for detail. Finally, you should enjoy a growth oriented, dynamic environment and can expect the opportunity of significant professional growth within the Group.

Interested candidates should apply with full personal and career details, including current remuneration and daytime telephone number, quoting reference J744/FT to: Jason Esfandiary, Mellor Watts International, High Holborn House, 52-54 High Holborn, London W1V 6RL. Tel: 0171 692 0500. Fax: 0171 692 0502. E-mail: mwi@dircon.co.uk

MELLOR WATTS INTERNATIONAL

Appointments Advertising

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call Ben Bonney-James on 0171 873 4015

Director of Audit

c£75,000 + Car + Bonus Woking, Surrey

Telewest Communications plc has recently announced a merger of businesses with General Cable. The new group, as the largest UK provider of cable telephony, television and other media services, is a major contributor to the current sector growth. Internal audit is recognised group-wide as strategically orientated and value adding.

THE POSITION

- Manage business focused Internal Audit function. Provide commercial and financial evaluation of operational performance. Report to Group Finance Director and Group Audit Committee.
- Evaluate and contribute to existing systems, controls and operating efficiency. Contribute to robust financial and corporate governance standards.
- Lead growth in internal audit function to provide comprehensive service to newly expanded business. Provide support to post acquisition incorporation.

THE INDIVIDUAL

- Graduate qualified accountant. Experienced auditor with record of managing customer focussed audit team to deliver business improvement and tight financial control.
- Experience in blue chip, high volume customer orientated environment. Proven change manager who thrives in dynamic environment.
- Proactive, analytical with strategic vision and commercial orientation. Excellent communication, presentation and influencing skills.
- Highly ambitious. Capable of assuming a senior line role business-wide.

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TELEWEST COMMUNICATIONS

NBS [illegible]

PEARSON

Financial Planning and Analysis Executive

Central London £Excellent

Pearson is a leading international media company with sales of £2.3bn and a market capitalisation of over £5bn. The group competes globally in the information, education and entertainment markets. Its best known businesses and brands are The Financial Times Group, Addison Wesley Longman, Penguin Books, Pearson Television and The Tussauds Group.

Following an increase in the level of corporate financial activity, a bright highly motivated individual is sought to report to the Head of Financial Planning and Analysis in an analytical role.

Specifically the role will encompass:

- Analysis of divisions' monthly results, forecasts and budgets and discussion of these with operational managers.
- Working with the divisions to develop and analyse key performance indicators.
- Review of acquisition and capital expenditure proposals submitted by the divisions.
- Providing analytical support on acquisitions, disposals and financial or strategic initiatives and on the development of shareholder value measures, involving detailed financial modelling.

This opportunity will appeal to candidates who fulfil the following selection criteria:

- Recently qualified ACA with a strong academic background.
- Strong financial and commercial aptitude, ideally demonstrated during periods spent outside mainstream audit or tax.
- Strong personality coupled with an ability to communicate effectively with senior corporate and operational management.
- Self-starter with strong spreadsheet and modelling skills.

In addition to an excellent remuneration package, Pearson can offer outstanding career prospects both within Head Office and at divisional level.

Interested applicants should write, in strictest confidence, to Steve Blair or Nick Brown ACA at Walker Hamill Executive Selection forwarding a brief résumé quoting reference NB4524.

WALKER HAMILL
103-105 Jermyn Street
St. James's
London SW1Y 6EE
Tel: 0171 839 4444
Fax: 0171 839 5857

MANAGER - INTERNATIONAL TREASURY OPERATIONS

Standard Commercial Corporation is among the world's leading processors of leaf tobacco and wool, with an annual turnover of around $1.4bn. The Head Office is in Wilson, North Carolina, USA.

The Company's International Treasury operations are located in Godalming, Surrey, UK. Due to the repatriation of the current incumbent to USA, we have a vacancy for a Treasury Manager.

The main duties are as follows:

- Oversee daily treasury transactions
- Identification of trade finance mechanisms
- Maintaining relationships with the Company's existing Banks and development of new Bank relationships
- Participation in the negotiation of both short and long-term credit facilities
- Assisting with the development of an integrated global cash management system
- Co-ordination of the preparation of monthly cash-flow forecasts
- Assistance in the management of the Group's Risk Management Programme

The successful applicant will be able to demonstrate a record of achievement in a similar position for a minimum of five years. In addition to the Treasury Manager, the Treasury Department at Godalming consists of three other people and previous experience in a similar supervisory role would be essential.

The position attracts a package consisting of a competitive salary, company car and pension and associated benefits.

You are invited to send your CV to:

Mr N W Perry, Standard Commercial Tobacco Services (UK) Ltd, Standard House, Wayside Park, GODALMING, Surrey GU7 1XE

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ruth wirth

Unternehmensberatung in Personalfragen

An international operating service company is looking for the dynamic and global business thinking

Head of Internal Audit (M/F)

Tasks and responsibilities

- Support and consulting of the Executive Board of Directors
- Planning and execution of internal audits organization
- Independent lead of projects and audits worldwide
- Risk analysis
- Special projects
- Preparation of management reports

Profile of the suitable candidates

- Qualified accountant auditor (CP, CPA, CIA) or graduate in business management
- At least 5 years experience in the internal and/or external audit
- Experience in hotel and catering
- Legal knowledge, international experience
- Good Languages skills in German, English, French; further language skills would be an advantage
- Ability and experience in leading, motivating and educating a team
- Commitment to travel around 40%
- Age: 32–36 years

You should be able to resolve different issues on a non-routine base. For successful candidates who correspond to this profile and who are used to work on their own and take responsibility for their work this confidential position will offer an real challenge. The company offers excellent working conditions and is based in Zurich.

Is this the position you are looking for? I guarantee full confidentiality discretion.
Interested?
Please send your application Curriculum vitae in German to

Holdenstrasse 5a, CH-8700 Küsnacht, Phone 0041/1/910 91 40, Fax 0041/1/910 91 47

MRC LABORATORIES, THE GAMBIA

The MRC's largest establishment concerned with research in tropical medicine.

Management Accountant

This new and important post comes at a time of change when attention is on our financial strategies and control. We are focusing on the timely and accurate provision of financial information to managers and on ensuring the integrity of our financial systems.

Based in Fajara on the coast, you will have responsibility for managing, setting up, developing and organising systems and resources to ensure our core financial services are both efficient and effective. This will include the implementation of several IT systems.

In consultation with the Director and Administrative Director, you will prepare regular budgets for all levels in the organisation; monitor budgets against expenditure; forecast cash flow and analyse commitments; advise, support, and report to managers; prepare and develop long-term financial planning strategies; ensure that value for money is achieved; formulate proposals for rigorous control mechanisms, and advise corrective action where necessary.

Educated to degree level and a qualified accountant with a recognised UK body, you will have a proven track record in setting up and maintaining complex financial and accounting systems, both computerised and manual. You must have excellent communication, leadership and management skills, flexibility of approach and the capacity to forge positive working relationships within a multi-cultural working environment.

Salary will be within MRC Band 3 range (18K - £36K) according to qualifications and experience. In addition, we provide overseas allowances, free furnished accommodation, flights and other benefits. The appointment will be initially for a 3 year period to start as soon as possible.

Further details and application forms are available from Helen Drozdzewski, Medical Research Council, 20 Park Crescent, London W1N 4AL. Answerphone +44 (0) 171 637 0361. Email: helen.drozdzewski@headoffice.mrc.ac.uk Alternatively, you can contact the Administrative Director, Richard Middleton, on +220 496000.

The closing date for applications is 26 June 1998 and interviews will take place on 22 July 1998 in London.

An Equal Opportunities Employer

MRC Medical Research Council

FINANCIAL REPORTING MANAGER

Competitive Package

Hertz Europe, the parent company for rental, leasing and equipment rental operations in Western Europe, is itself part of the world's leading vehicle rental and leasing organisation, a multinational operating over 5,000 locations based in more than 140 countries, with a worldwide fleet in excess of 500,000 vehicles.

An opportunity has arisen for an ambitious finance professional as Financial Reporting Manager, with overall responsibility for providing timely, accurate and relevant reporting of management and statutory reports to local and USA management.

More specifically, you will liaise closely with the European business units, co-ordinating and controlling the month end close, preparing the monthly financial statements and supporting schedules, and maintaining their chart of accounts [illegible]

Hertz

For further information please contact Angelique van Gils FSS Financial (quoting ref: FT0166) on 0171 209 1000. Alternatively please send/fax or e-mail your CV to her at FSS Financial, Charlotte House, 14 Windmill Street, London W1P 2DY.
Fax: 0171 209 0001, e-mail: avg@fss.co.uk
or visit our website at www.fss.co.uk

FSS FINANCIAL

Commercial Accountant Dover £40 - £45k + car and benefits

P&O Stena Line is a new and exciting ferry company formed through the partnership of the two largest operators across the English Channel.

We intend to continue to dominate the channel, being admired by customers and competitors alike as an innovative, dynamic, competitive and customer friendly organisation which is not afraid to challenge old ideas.

As a complex organisation with over 4,000 highly skilled people across the UK and mainland Europe we currently have a vacancy for a high calibre Commercial Accountant who can make a significant contribution to this exciting new company.

The Role

Reporting to the Finance Director you will:

- Provide key support to the Freight and Passenger Marketing and Sales Directors.
- Have input into the development and review of commercial strategy, adding value.
- Instigate constant review of operating procedures to ensure best practice.
- Enhance line managers' understanding of the "bottom line".
- Develop and improve the quality of management information on which business decisions are made.
- Undertake various commercial projects across the business.
- Play a key systems role for the department, including Year 2000 and EMU preparations.
- Manage and develop a team of approximately 40 Finance staff involved in sales ledger administration and credit control, and be a key member of the Finance management team.

The Candidate

- Graduate calibre, qualified accountant with 3-5 years' PQE and experience in a large high volume business.
- Ability to communicate at all levels of the business.
- Highly analytical with a strong systems background.
- Open management style, maximising skills and experience of staff.

If you feel you have the experience and qualifications to meet the challenge please write in confidence sending your full CV to Anthea Haffenden, Senior Human Resources Officer, P&O Stena Line, Channel House, Channel View Road, Dover, Kent CT17 9TJ.

P&O Stena LINE

The University is a leading new university, with a high national and international reputation for teaching and research. The opportunity has arisen for a new Director of Finance to join the team to share in the task of ensuring that we build further on our reputation as a high quality and innovative institution.

Director of Finance

The Director of Finance plays an important role in the strategic management and development of the University. The person appointed will have extensive experience in the management of finance, acquired in either the private or public sector.
An understanding of the needs of an institution which is publicly funded, but with significant commercial interests, will be essential. The person appointed will be a strategic thinker, a proactive manager and an excellent communicator.

The salary offered for this post is in the range £50k-£60k

The closing date for this post is 6 July 1998

Informal enquiries for this post should be made to Pro-Vice-Chancellor, Dr Mike Bateman on (01705) 843390 or Email mike.bateman@port.ac.uk, or to the Vice-Chancellor, Professor John Craven on (01705) 843190 or Email john.craven@port.ac.uk.

Further details are available from:
Personnel Office, University House, Winston Churchill Avenue, Portsmouth P01 2UP.
Telephone (01705) 843421 (24 hour answerphone).

University of Portsmouth

Aiming for equal opportunities

Hi-Tech Tax Manager

Central London

c£37.5K + Benefits

Our client is the European market leader in the image communication industry, with subsidiaries in the UK, throughout Europe and elsewhere, with a turnover in excess of £660 million and part of a global market leading organisation (turnover +$10 billion). The company remains at the forefront of technology owing to its investment in research and development. This commitment continues to provide year on year sales growth that is expected to be maintained well into the next millennium. As part of this expansion they are seeking to recruit a Tax Manager to strengthen their small existing tax team.

The role is wide ranging working in the European head office. Responsibilities include:

- UK corporation tax compliance and planning.
- Advising on other UK tax issues.
- Collating UK and foreign tax accounting and forecasting information.
- Preparation of tax provisions for statutory accounts under both UK and USA accounting principles.
- Transfer pricing issues.

The successful candidate will be a qualified accountant with some experience of UK corporation tax, probably top twenty trained, with the interpersonal and communications skills needed for liaison at all levels.

This position will give you the opportunity to develop your career in an international market leading company.

If you believe that you have the skill set, drive, initiative and maturity to rise to the challenge of this position, then be proactive about your career and call Alex Alcott or Chris Cole on 0171 808 7070 (weekdays) 0181 892 1600 (evenings & weekends). Alternatively, send your CV and salary details in confidence to:

FINANCE PROFESSIONALS,
26-28 Bedford Row, London WC1R 4HE
Fax: 0171 828 2381. Email: chris@finprof.co.uk

finance PROFESSIONALS

IT Appointments

IT DIRECTOR

INVESTMENT MANAGEMENT

SIX FIGURE PACKAGE / LONDON

A leading worldwide fund management business with headquarters in London. The company has nine international offices and invests over £130 billion on behalf of its clients. The group has an enviable investment performance record and is actively engaged in developing its global brand. Critical to the company's continued success is the effective deployment of leading-edge information technology solutions throughout the group.

THE POSITION

- Develop and implement an effective IT strategy to support the changing needs of the worldwide organisation.
- Promote IT as a global function. Lead a substantial team in London. Provide directional and functional leadership worldwide.
- Gain support from senior management for significant investment in technology.
- Deliver state of the art front-office systems through a consistently high quality and customer service oriented approach.

QUALIFICATIONS

- Outstanding IT Manager with first-class record of success in the design and implementation of global information strategies.
- Financial services sector experience is essential, and ideally will include exposure to the investment management business.
- Inspirational leadership, communication and influencing skills. Strong relationship builder. Highly credible at board level.

SAINTY HIRD & PARTNERS

SHP ASSOCIATES

Please send a full cv and current salary details, quoting reference 980504, to SHP Associates, Aldermary House, 10-15 Queen Street, London EC4N 1TX. Tel: 0171 815 8888. Fax: 0171 815 8800. E-mail: shpa@shpa.co.uk

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LEOPOLD JOSEPH

PRIVATE BANKERS

BUSINESS ANALYST / SYSTEMS DEVELOPER

COMPETITIVE SALARY + BENEFITS — **CITY**

Leopold Joseph is a long established independent UK private bank providing a range of financial services. It is currently experiencing a period of business growth giving the need to embark on a review of business processes to which IT will make a major contribution.

A business analyst / systems developer is now required to meet the varied demands of forthcoming projects. Reporting directly to the new Group IT Manager, the role will include leading projects, implementing standards and techniques, and taking responsibility for day-to-day technical issues relating to applications.

The successful candidate will be of graduate calibre with at least 2-3 years experience within financial services, ideally including investment management.

Demonstrable technical abilities in the use of MS Access, Visual Basic (version 5), SQL and UNIX is essential and a knowledge of Informix and SQL Server would be advantageous.

As an individual you will be self motivated and organised with the ability to meet deadlines. You will seek to provide high quality, practical technology-based solutions to the business users. Strong interpersonal skills are of the utmost importance.

The role offers variety, responsibility and the opportunity to apply and develop skills in a technically hands-on environment. With direct access to senior managers and business directors this presents an opportunity to influence the development of IT to support the business at Group level within Leopold Joseph.

Candidates should forward their applications including current salary details to Justine Bernard or Sean Elliott at our retained consultants, Parkwell Management Consultants Ltd., 8 Wilfred Street, Westminster, London, SW1E 6PL. Tel 0171 630 8000 Fax 0171 233 5205 Email parkwell@compuserve.com

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DON'T YOU WISH EVERY DAY WAS A

SUN DAY?

SYSTEMS ARCHITECTS

EXCELLENT PACKAGES — CITY BASED

Just imagine going to work on a Sun day. To a place where people don't see IT as a problem, but as an opportunity. Where their diary is never too full to discuss your latest idea. Where your skills and experience aren't just incidental - they're critical to the success of the business.

Stop imagining now. It could happen. Because Sun Professional Services is recruiting.

We're the people who help create and optimise enterprise-wide infrastructures for ultra-demanding blue-chip clients. The people behind some of the most startlingly original and effective solutions in the City today.

We're looking for people with ten years' plus experience to architect and design elegant solutions from the ground up, always with an eye for their commercial value. People who thrive on the challenge of new technology, total responsibility and creative thinking. In short, people who drive businesses.

Sun Professional Services is also looking for **Project Managers, Technical Project Managers, Project Engineers, Java Architect and Database Architects** on both a permanent and contractual basis at locations throughout the country. For further details of these vacancies, visit our website at http://www.sun.co.uk

To find out more about working with Sun, visit us at Waterloo station on Monday 1st June or at Liverpool Street station on Tuesday 2nd June - any time between 7am - 10am and 4.30pm - 7pm. Alternatively, you can send your CV, quoting ref: SDFT, to our retained consultant, Rob Reason at Reason International, North House 3, Bond Avenue, Bletchley, Milton Keynes MK1 1JJ. Tel: 01908 373 894. **THE NETWORK IS THE COMPUTER™**

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Internet Systems Manager – National Grid for Learning

£27,760 - £33,221

BECTa is a non-statutory government funded agency with the remit to support the Government and national agencies in the use and development of information and communication technology to raise educational standards.

As Head of Grid Technology Development you will take a leading role in the development of the infrastructure for the National Grid for Learning. The Grid is a major new initiative to provide Internet content to UK education, and BECTa is leading its development for the Government.

Technically, you should have a strong background in UNIX administration and development, with a minimum of 5 years' working with open platform servers and systems, preferably Sun/Solaris. The position will require both management skills and practical technical knowledge of for example, internet servers, networking and system development, in addition to contributing to the strategic technical planning of the Grid.

For a recruitment pack, please contact
Personnel Section at BECTa,
Milburn Hill Road, Science Park,
Coventry CV4 7JJ
Tel: 01203 847103
Fax: 01203 692550

Closing date:
15th June 1998

e-mail:
julie_o'neil@becta.org.uk

www:
http://www.becta.org.uk

BECTa — British Educational Communications and Technology agency

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PROJECT & SENIOR PROJECT MANAGERS

SALOMON SMITH BARNEY

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London based — **Packages to attract the best**

Salomon Smith Barney is one of the world's leading integrated securities houses, providing financial services to international corporations, governments and financial institutions globally. The firm's pre-eminent position is attributable to its continuous investment in leading edge technology and its track record in recruiting and developing high calibre people.

Our client is seeking to appoint IT Project Managers to fill key roles within their European Global Technology organisation. Operating in a dynamic, rapidly evolving environment you will be specifying, planning and managing a range of technology projects from inception to final delivery. Managing cross functional teams, you will be coordinating both internal and external resources to ensure timely delivery of projects. Successful management of the business/technology interface will be a key element in these high profile roles which will cover all aspects of the business. Current major projects include EMU compliance, e-commerce and the evaluation of new technologies.

The positions demand energetic and resourceful IT project managers, probably aged mid 20s to late 30s. Of graduate calibre, with well developed people and business skills, candidates must have a proven track record in delivering business critical IT projects, ideally within financial markets.

Currently working for an investment bank, securities house, major management consultancy or systems integrator, you will have first class interpersonal skills, as well as a flexible, hands on approach to managing projects. In addition, you must have a high learning capacity and an ability to think 'outside the box' and respond positively in a demanding environment.

The positions are seen as high profile development roles for future career opportunities in the company. Attractive remuneration packages will be offered, including competitive banking benefits.

To express an initial interest candidates should contact the advising consultants, Jerry Wright or Keith Evans on 01784 898615 (0370 724585 outside office hours). Alternatively write to them at the address below

Prism Executive Recruitment, Knyvett House, The Causeway, Staines, Middlesex TW18 3BA Fax 01784 898645 E-mail jwright@prismrec.co.uk

prism EXECUTIVE RECRUITMENT

IT PROJECT MANAGERS

OUR BOUNDARY BREAKING TECHNOLOGY EXPANDS YOUR PROFESSIONAL REACH

HOLDEN PARTNERS LIMITED is a visionary organisation specialising in consulting services that support the decision-makers of the financial community. Our dynamic IT Group covers the full spectrum of services including systems development, conceptual design, requirements definition, programming, testing, conversion and implementation.

The increasing demand for our high-tech solutions has opened up exciting opportunities for astute High-Level IT Project Managers in our **LONDON & BOURNEMOUTH OFFICES**, to provide consulting for long-term banking assignments.

Reporting to the Senior Vice President, you will manage large-scale IT projects, providing support for all areas of systems analysis planning and design. You must have at least 10 years of experience as a Senior-Level Project Manager with a track record of success preferably in managing banking/financial/Year 2000 assignments. Impeccable presentation/communication skills; and the diplomacy, interpersonal skills and cosmopolitan image to interface with client management are essential. U.K. citizenship is necessary.

Come, stand out in our most challenging technological climate. We offer a generous total compensation package up to £150,000, plus bonus and transportation. To apply, please e-mail your C.V. to bruce.beckman@holdenltd.com or fax to 001-212-635-4186. To arrange for an interview in London, please call 001-212-635-0200.

Holden Partners Limited
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FT IT Recruitment appears each Wednesday in the UK edition, and each Friday in the international edition

For more information on how to reach the top IT professionals in business call: Chris Ibbotson on +44 171 873 3351

C++ QUANT DEVELOPERS
Equity Derivatives

CITY — **£ Excellent Package**

Our client is the largest banking institution in the US and one of the largest in the world. With a global presence in over 50 countries and an asset size in excess of $300 billion, the firm possesses top tier leadership in every area of banking, from global finance and trading to private banking and information services.

Due to expansion, our clients are looking to recruit a C++ mathematical developer to support its Equity Quantitative Trading Group. The team consists of Analyst Programmers, Quant Analysts and Marketers and holds responsibility for the implementation and delivery of business solutions to the trading floor community.

Background

- PhD Graduate
- 1 - 2 years Post Doctoral experience in any industry

Skills & Attributes

- Excellent mathematical and analytical skills
- Strong applied programming and modelling skills
- C/C++ development skills
- Team oriented
- Ability to work to tight deadlines in a pressurised environment
- Knowledge of modelling using Monte-Carlo simulation is an advantage

This is a unique opportunity for candidates with a numerical background to not only gain an in-depth knowledge of a full range of business areas, but also to work closely with derivative traders and sales people to price and mange mathematically complex Equity Derivative structures.

For this position and others please contact Sally Mullan or Mike Sherwin

Huxley Associates
INVESTMENT BANKING
17 St Helen's Place, London EC3A 6DE

Telephone: 0171 335 5890
Mobile: 0411 717 780
Fax: 0171 335 0008
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EQUITIES
Business Analysts & Project Managers

CITY — **£35-55,000 + Banking Benefits**

The Organisation

The European Equity Business team in the pre-eminent US Investment Bank are currently searching for outstanding Business Analysts and Project Managers. The team consists of analysts and implementers responsible for business analysis, architecture, account management, project management and implementation for all Back Office Systems across Europe. These requirements have come about as a reaction to ongoing European expansion and acquisitions, and the re-architecting of the European Systems Group.

The Roles

The many and diverse roles incorporate EMU Strategy, Finance Analysis and Design, SWIFT Settlement Analysis and Implementation, Gloss Projects, Year 2000 Planning and Implementation. Wide ranging skills required include: Settlement experience (Crest, Euroclear etc.), Financial knowledge (Ledgers, stock records, posting drivers, regulatory etc.), Trade Processing (Charges, Accrued Coupon, Settlement Defaulting), Securities Background (Swaps, OTC, FX).

The Qualifications

Technical experience to include some of the following: Microsoft Office, Project, Basic SQL concepts and Data Architect skills for the relevant positions. Candidates should be Graduates with a good degree (1st or 2:1). Essential skills include a proven understanding of the Securities business either in Operations, Finance or Technology. Substantial experience working within the financial sector and solid and demonstrable communication skills.

The Future

This organisation is uniquely positioned to capitalise on its established business strengths and to consolidate its position as a global leader across a range of financial markets. This is clearly an exciting opportunity to join business critical projects at a defining moment.

Please contact Danielle Lorenz

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